

# THE NEEDS OF DRINKING WATER SYSTEMS IN RURAL AND SMALLER COMMUNITIES

---

## HEARING BEFORE THE SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY OF THE COMMITTEE ON ENERGY AND COMMERCE HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS FIRST SESSION

\_\_\_\_\_  
FEBRUARY 27, 2015  
\_\_\_\_\_

**Serial No. 114–15**



Printed for the use of the Committee on Energy and Commerce  
*energycommerce.house.gov*

\_\_\_\_\_  
U.S. GOVERNMENT PUBLISHING OFFICE

95–493 PDF

WASHINGTON : 2015

---

For sale by the Superintendent of Documents, U.S. Government Publishing Office  
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800  
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

## COMMITTEE ON ENERGY AND COMMERCE

FRED UPTON, Michigan

*Chairman*

JOE BARTON, Texas

*Chairman Emeritus*

ED WHITFIELD, Kentucky

JOHN SHIMKUS, Illinois

JOSEPH R. PITTS, Pennsylvania

GREG WALDEN, Oregon

TIM MURPHY, Pennsylvania

MICHAEL C. BURGESS, Texas

MARSHA BLACKBURN, Tennessee

*Vice Chairman*

STEVE SCALISE, Louisiana

ROBERT E. LATTA, Ohio

CATHY McMORRIS RODGERS, Washington

GREGG HARPER, Mississippi

LEONARD LANCE, New Jersey

BRETT GUTHRIE, Kentucky

PETE OLSON, Texas

DAVID B. MCKINLEY, West Virginia

MIKE POMPEO, Kansas

ADAM KINZINGER, Illinois

H. MORGAN GRIFFITH, Virginia

GUS M. BILIRAKIS, Florida

BILL JOHNSON, Ohio

BILLY LONG, Missouri

RENEE L. ELLMERS, North Carolina

LARRY BUCSHON, Indiana

BILL FLORES, Texas

SUSAN W. BROOKS, Indiana

MARKWAYNE MULLIN, Oklahoma

RICHARD HUDSON, North Carolina

CHRIS COLLINS, New York

KEVIN CRAMER, North Dakota

FRANK PALLONE, Jr., New Jersey

*Ranking Member*

BOBBY L. RUSH, Illinois

ANNA G. ESHOO, California

ELIOT L. ENGEL, New York

GENE GREEN, Texas

DIANA DeGETTE, Colorado

LOIS CAPPS, California

MICHAEL F. DOYLE, Pennsylvania

JANICE D. SCHAKOWSKY, Illinois

G.K. BUTTERFIELD, North Carolina

DORIS O. MATSUI, California

KATHY CASTOR, Florida

JOHN P. SARBANES, Maryland

JERRY McNERNEY, California

PETER WELCH, Vermont

BEN RAY LUJAN, New Mexico

PAUL TONKO, New York

JOHN A. YARMUTH, Kentucky

YVETTE D. CLARKE, New York

DAVID LOEBSACK, Iowa

KURT SCHRADER, Oregon

JOSEPH P. KENNEDY, III, Massachusetts

TONY CARDENAS, California

---

## SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY

JOHN SHIMKUS, Illinois

*Chairman*

GREGG HARPER, Vice Chairman

*Vice Chairman*

ED WHITFIELD, Kentucky

JOSEPH R. PITTS, Pennsylvania

TIM MURPHY, Pennsylvania

ROBERT E. LATTA, Ohio

DAVID B. MCKINLEY, West Virginia

BILL JOHNSON, Ohio

LARRY BUCSHON, Indiana

BILL FLORES, Texas

RICHARD HUDSON, North Carolina

KEVIN CRAMER, North Dakota

FRED UPTON, Michigan (*ex officio*)

PAUL TONKO, New York

*Ranking Member*

KURT SCHRADER, Oregon

GENE GREEN, Texas

DIANA DeGETTE, Colorado

LOIS CAPPS, California

MICHAEL F. DOYLE, Pennsylvania

JERRY McNERNEY, California

TONY CARDENAS, California

FRANK PALLONE, Jr., New Jersey (*ex officio*)

## C O N T E N T S

---

	Page
Hon. John Shimkus, a Representative in Congress from the State of Illinois, opening statement .....	1
Prepared statement .....	2
Hon. Paul Tonko, a Representative in Congress from the State of New York, opening statement .....	3
Hon. Frank Pallone, Jr., a Representative in Congress from the State of New Jersey, opening statement .....	4

### WITNESSES

J. Alfredo Gomez, Director, Natural Resources and Environment, Government Accountability Office .....	6
Prepared statement .....	9
Answers to submitted questions .....	81
Hon. Joe Keegan, Mayor, Castleton-on-Hudson, New York, on Behalf of New York Rural Water Association .....	24
Prepared statement .....	27
Katetra “K.T.” Newman, on Behalf of National Rural Water Association .....	32
Prepared statement .....	34
Bobby Selman, on Behalf of Mississippi Rural Water Association .....	39
Prepared statement .....	41
Robert Stewart, Executive Director, Rural Community Assistance Partner- ship .....	45
Prepared statement .....	47
Answers to submitted questions .....	85

### SUBMITTED MATERIAL

Letter of February 27, 2015, from Renee Sharp, Director of Research, Envi- ronmental Working Group, to Mr. Shimkus, and report, “Water Treatment Contaminants: Forgotten Toxins in American Water,” February 2013, Envi- ronmental Working Group, <sup>1</sup> submitted by Mr. Shimkus .....	80
--	----

---

<sup>1</sup> The information has been retained in committee files and also is available  
at <http://docs.house.gov/meetings/IF/IF18/20150227/103031/HHRG-114-IF18-20150227-SD005.pdf>.



## **THE NEEDS OF DRINKING WATER SYSTEMS IN RURAL AND SMALLER COMMUNITIES**

**FRIDAY, FEBRUARY 27, 2015**

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY,  
COMMITTEE ON ENERGY AND COMMERCE,  
*Washington, DC.*

The subcommittee met, pursuant to call, at 10:01 a.m., in room 2322, Rayburn House Office Building, Hon. John Shimkus (chairman of the subcommittee) presiding.

Members present: Representatives Shimkus, Harper, Whitfield, Murphy, Latta, McKinley, Johnson, Bucshon, Hudson, Cramer, Tonko, Schrader, Green, McNerney, and Pallone (ex officio).

Staff present: Nick Abraham, Legislative Clerk; Charlotte Baker, Deputy Communications Director; Leighton Brown, Press Assistant; Jerry Couri, Senior Environmental Policy Advisor; Dave McCarthy, Chief Counsel, Environment and the Economy; Chris Santini, Policy Coordinator, Oversight and Investigations; Chris Sarley, Policy Coordinator, Environment and the Economy; Jacqueline Cohen, Democratic Senior Counsel; and Caitlin Haberman, Democratic Professional Staff Member

Mr. SHIMKUS. I would like to call the hearing to order and recognize myself for an opening statement.

### **OPENING STATEMENT OF HON. JOHN SHIMKUS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS**

Today's hearing focuses on challenges facing rural water systems. I congratulate and thank the ranking member of the subcommittee Mr. Tonko and the vice chairman of the subcommittee, Mr. Harper, for their bipartisan work to raise the profile of this issue before this subcommittee.

According to the Census Bureau, approximately 27 percent of the U.S. population lives in rural areas. The smallest water systems account for 77 percent of all systems. As someone who proudly represents communities in small town in rural America, I am glad we have bipartisan interest in tackling this subject.

Under the Safe Drinking Water Act, small and rural drinking water supply systems are subject to a number of drinking water regulations issued by EPA. These requirements include systems monitoring, treatment to remove certain contaminants, and reporting. Addressing these matters requires technical, managerial, and physical capabilities that are difficult to develop and are often beyond the capacity of these towns to afford on the same scale as urban centers, particularly when it comes to regulatory compliance.

It is ironic that these communities where residents work hard to support their families and their local governments, while often earning wages below those of their counterparts in the more urbanized area, face per-customer compliance costs and demands that are disproportionate to many larger communities. Sometimes it is just a matter of having the ability to keep up with the red tape.

While I am sure we will explore the funding mechanisms under EPA, the Agriculture Department, and other Federal agencies, it is not just a matter of throwing more scarce money at the problem. Rather, it is about smartly assessing what the needs are for these systems, prioritizing the importance of those needs, finding out whether the current system can be improved to remove unnecessary burdens and eliminate bureaucracy, and examining whether voluntary or other collaborative efforts can aid where Congress cannot.

I want to thank our witnesses who have put their lives on hold to battle the elements and join us. People who live in rural communities deserve every bit of the water quality and technical resources that folks who live in densely populated urban centers do. We look forward to your wisdom in helping us understand these issues.

Thanks again to Mr. Tonko and Mr. Harper for their work on this issue. I know Mr. Tonko has an interest in addressing some drinking water issues, and I appreciate the work he and Mr. Harper are doing to break the ice with this first effort.

[The prepared statement of Mr. Shimkus follows:]

#### PREPARED STATEMENT OF HON. JOHN SHIMKUS

Today's hearing focuses on challenges facing rural water systems. I congratulate and thank the ranking member of the subcommittee, Mr. Tonko, and the vice chairman of the subcommittee, Mr. Harper, for their bipartisan work to raise the profile of this issue before the subcommittee.

According to the Census Bureau, approximately 27 percent of the U.S. population lives in a rural area. The smallest water systems account for 77 percent of all systems. As someone who proudly represents communities in small town and rural America, I am glad we have bipartisan interest in tackling this subject.

Under the Safe Drinking Water Act, small and rural drinking water supply systems are subject to a number of drinking water regulations issued by EPA. These requirements include system monitoring, treatment to remove certain contaminants, and reporting. Addressing these matters requires technical, managerial, and physical capabilities that are difficult to develop and are often beyond the capacity of these towns to afford on the same scale as urban centers—particularly when it comes to regulatory compliance.

It's ironic that these communities, where residents work hard to support their families and their local governments, while often earning wages below those of their counterparts in the more urbanized areas, face per customer compliance costs and demands that are disproportionate to many larger communities. Sometimes, it's just a matter of having the ability to keep up with the red-tape.

While I am sure we will explore the funding mechanisms under EPA, the Agriculture Department, and other Federal agencies, it's not just a matter of throwing more scarce money at the problem. Rather, it's about smartly assessing what the needs are for these systems, prioritizing the importance of those needs, finding out whether the current system can be improved to remove unnecessary burdens and eliminate bureaucracy, and examining whether voluntary or other collaborative efforts can aid where Congress cannot.

I want to thank our witnesses who have put their lives on hold to battle the elements and join us. People who live in rural communities deserve every bit of water quality and technical resources that folks who live in densely populated urban centers do. We look forward to your wisdom in helping us understand these issues.

Thanks again to Mr. Tonko and Mr. Harper for their work on this issue. I know Mr. Tonko has an interest in addressing some drinking water issues and I appreciate the work he and Mr. Harper are doing to break the ice with this first effort.

Mr. SHIMKUS. With that, I would like to yield to the vice chair for the remainder of my time.

Mr. HARPER. Thank you, Mr. Chairman.

And I appreciate you holding this hearing on the needs of drinking water systems in rural and smaller communities.

Like you and many other members of Congress, I represent a rural district where many of my constituents get their drinking water from smaller cities, towns, and water associations.

According to the National Rural Water Association, more than 90 percent of the community water systems across the United States serve a population less than 10,000 individuals. These smaller communities do an incredible job of providing our constituents with clean, safe drinking water, but are often at a disadvantage because of economics of scale and a need for more technical expertise.

I know that this is an important issue to you, Mr. Chairman and the ranking member, and I thank you for the opportunity to continue working on legislation to ensure our constituents get the help and clean water they need.

I would like to say welcome to my fellow Mississippians, Mr. Newman, Mr. Selman, and thank them for providing their insight to the subcommittee today.

Mr. Chairman, thank you again for your commitment on this issue, and I yield back.

Mr. SHIMKUS. The gentleman yields back his time.

And I have a remaining minute left.

Does anyone seek recognition on my side? If not, the Chair now recognizes the ranking member of the subcommittee, Mr. Tonko, for 5 minutes.

**OPENING STATEMENT OF HON. PAUL TONKO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. TONKO. Well, thank you and good morning to our witnesses.

And thank you, Chair Shimkus, for holding this important hearing on what is a very vital topic and appreciate the opportunity to work in partnership with our Vice Chair Harper as we address, again, a very important phenomenon for all of our communities across the country.

We have all heard the often repeated statistics about rural and small water systems. More than 94 percent of the 150,000 public drinking water systems in the United States serve fewer than 3300 customers. Although small systems dominate in numbers, they serve just about 8 percent of our population overall. But to households and businesses across this great country, the key feature they are interested in is not the size of their water utility. It is reliable, daily delivery of safe clean water at an affordable price to their homes and businesses that matters.

We will hear from managers of these small systems here this morning. And what we will hear is that they cannot simply pass all of their costs for technical assistance, infrastructure repairs, tapping into new water sources, or keeping pace with drinking water regulations onto their customers with ongoing rate increases.

The rate bases for these small systems are too small to cover the costs of these essential materials and services. It is long past time for us here in Congress to provide robust financial support for our water utilities.

In addition to support through traditional funding mechanisms, the SRF, and grant programs, we should also examine alternative financing mechanisms, new technologies, and potential new partnerships that will enable every dollar to go forward in reducing the backlog of infrastructure projects and in ways reducing operating costs through efficiency, both water and energy.

I am very pleased to have Mayor Keegan here this morning to represent the small water utilities that serve people throughout our State, New York. Mayor Keegan and our witnesses from Representative Harper's district in Mississippi will provide us with a glimpse of the challenges they face each and every day in their efforts to deliver clean safe drinking water to their public. They do a remarkable job in keeping clean water flowing to every home, every day.

Water infrastructure is essential. It is the only way to state it. We can afford to do this. We cannot afford to delay these investments any longer. Public health, community viability, and economic vitality all rest on the foundation of a sound infrastructure. We cannot maintain global leadership and compete in a 21st century global economy with 20th century infrastructure held together with a hope and a prayer.

We have an excellent panel with us today. Thank you for taking time away from your important work and busy schedules to be here to do your messaging this morning.

And thank you, Mayor Keegan, Mayor Newman—Mr. Newman, Mr. Selman, and Mr. Stewart for the expertise and dedication you will demonstrate to your communities—that you demonstrate to your communities each and every day at work. I look forward to your testimony and to working with each and every one of you as we move forward.

And I am very pleased to working with the chair of the subcommittee and with our vice chair, Representative Harper, and other members of the subcommittee on this very important issue.

With that, I thank you.

And, Mr. Chair, I yield back.

Mr. SHIMKUS. Gentleman yields back his time.

Chair now looks to the Republican side. Anybody seek recognition? Seeing no one, the Chair now recognizes the ranking member of the full committee, Mr. Pallone, for 5 minutes.

**OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mr. PALLONE. Thank you, Mr. Chairman, Mr. Tonko.

Customers of all public water systems, large and small, wealth and disadvantaged deserve safe affordable drinking water. Unfortunately, public water systems across the country are facing staggering infrastructure replacement costs and emerging threats, including climate change.



Resource is essential to any conversation about safe drinking water. Much of our Nation's drinking water infrastructure is well beyond its useful life and in desperate need of replacement. Investing in drinking water infrastructure protects public health, creates jobs, and boosts the economy. This is particularly important in the case of small and rural systems in which even minor projects can be unaffordable. And I thank the chairman for calling this hearing to examine some of the challenges these systems face.

In 1996, this committee passed amendments to the Safe Drinking Water Act that set a number of programs intended to help small and rural water systems. Those programs focused on capacity development, operator certification, infrastructure, funding, and technical assistance. All of them are designed to ensure the customers of small systems receive safe and affordable drinking water. The small pot of money set aside for technical assistance distributed through grantees, such as the National Rural Water Association and the Rural Community Assistance Partnership, have been incredibly important for small assistance. And I am glad that both NRWA and RCAP represented here today to discuss any changes that might be needed to strengthen the program.

I expect we are going to hear that the need for technical assistance far outpaces the funding available. And I hope my colleagues on the other side of the aisle will join with us to ensure that this program is given sufficient funding to meet the requirements of small systems.

But the same is true for the drinking water State Revolving Fund or SRF. If we really want to ensure that small and rural systems are providing safe and affordable water, we should reauthorize the whole SRF, not just the technical assistance piece. The technical assistance piece is less than 2 percent of the whole pot, so we should not lose sight of the bigger picture.

For disadvantaged communities, the 1996 amendments allow States to provide additional support through the SRF and most funding from the SRF goes out as loans. But for disadvantaged communities, States are authorized to provide zero interest loans or even principal forgiveness. For small and rural systems with small customers bases, this is incredibly important.

But unfortunately States are not currently required to provide this assistance to disadvantaged communities and not all do. This assistance may become even scarcer in coming years as the overall drinking water infrastructure need continues to grow faster than the available funding.

When this subcommittee moved legislation to address toxic algae, I expressed my hope that it would be the start of broader drinking water work. And I am pleased that the chairman is now addressing another important drinking water issue. But as I said at the hearing on the toxic algae, our responsibility on drinking water is comprehensive. Small systems serve only 8 percent of the population. We should absolutely do what is necessary to ensure they have safe water, but we should also protect the other 92 percent and means reauthorizing the SRF, ensuring that fracking is done safely, ensuring source water protection, addressing drought and planning, of course, for climate change.

So I look forward to more drinking water hearings and more bipartisan conversations about some legislative solutions.

And thank you, Mr. Chairman.

Mr. SHIMKUS. Gentlemen yield backs his time.

Now, the Chair would like to welcome our panel. I will introduce you one at a time. Your full statement is submitted for the record. You will have 5 minutes. Again, we expect votes between 10:45 and 11:15. I think we will get through the opening statements, and then we will see how it goes.

So, with that, I would like to first recognize Mr. Alfredo Gomez, Director of the natural resources and environmental area for the Government Accountability Office. Welcome, sir. And you are recognized for 5 minutes.

**STATEMENTS OF J. ALFREDO GOMEZ, DIRECTOR, NATURAL RESOURCES AND ENVIRONMENT, GOVERNMENT ACCOUNTABILITY OFFICE; HON. JOE KEEGAN, MAYOR, CASTLETON-ON-HUDSON, NEW YORK, ON BEHALF OF NEW YORK RURAL WATER ASSOCIATION; KATETRA "K.T." NEWMAN, ON BEHALF OF NATIONAL RURAL WATER ASSOCIATION; BOBBY SELMAN, ON BEHALF OF MISSISSIPPI RURAL WATER ASSOCIATION; AND ROBERT STEWART, EXECUTIVE DIRECTOR, RURAL COMMUNITY ASSISTANCE PARTNERSHIP**

#### **STATEMENT OF J. ALFREDO GOMEZ**

Mr. GOMEZ. Thank you, Mr. Chairman.

Good morning, everyone, Ranking Member Tonko, and members of the subcommittee.

I am pleased to be here today to discuss the infrastructure needs—

Mr. SHIMKUS. If you just pull that a little bit closer. And, for our other panelists, if you notice, there is a button in the middle and so hit that button when it is time to speak. And just pull that mike a little bit closer.

Thank you.

Mr. GOMEZ. OK. Thank you.

So I am pleased to be here today to discuss the infrastructure needs facing rural communities across the Nation, particularly for drinking water systems. The U.S. faces costly upgrades to aging water infrastructure. The demand for drinking water and wastewater infrastructure projects in communities with populations of 10,000 and fewer is estimated to be more than \$190 billion in coming decades.

My statement today summarizes the results of our reports on rural water infrastructure. I will focus on two main areas, first rural agencies funding for drinking water and wastewater infrastructure and issues affecting rural communities abilities to obtain funding for this type of infrastructure.

First, Federal agencies administer programs that can provide funding and technical assistance to rural communities to help them build drinking water and wastewater systems and comply with Federal regulations. EPA's drinking water and its clean water State Revolving Fund programs, known as the SRFs, provide the most funding, totaling 907 million and 1.5 billion respectively in

fiscal year 2014. States are required to provide at least 15 percent of the drinking water SRF funds to water systems that serve 10,000 people or fewer. The Department of Agriculture's rural utility service program is the next largest program at 485 million in fiscal year 2014, all of which goes to rural communities.

Some of the other agencies that can provide funding to rural communities include the Department of Housing and Urban Development, the Economic Development Administration, and the Bureau of Reclamation. While these agencies can provide funding for drinking water and wastewater infrastructure in rural communities, they have varying eligibility criteria that may focus funding to specific communities on the basis of population size, economic need, and geographic location.

Second, our previous report found several issues that affect rural communities' ability to obtain funding for drinking water and wastewater infrastructure. These issues include financing, technical expertise, and agency coordination. And both Chairman Shimkus and Ranking Member Tonko and others have already noted some of these challenges.

Now, with regard to financing, communities typically did not have the number of users needed to share the cost of major infrastructure projects while maintaining affordable users rates. In addition, rural communities generally have limited access to financial markets, restricting their ability to use bonds to raise capital. As a result, these communities depended heavily on Federal and State funding.

Rural communities also did not generally have the technical expertise to rebuild or replace their drinking water and wastewater systems. We found they had few staff and often hire consultants and engineers to help them design projects, including preliminary engineering reports, plans, and environmental documents. Agencies provide for some technical assistance that communities can use.

Lastly, we found that Federal communities face potentially duplicative application requirements when applying for multiple State or Federal programs. This included preparing more than one preliminary engineering report and environmental analysis, which likely made it more costly and time-consuming for communities to complete the application process.

We recommended several actions to improve coordination among the agencies and programs. In response, as of February 2015, EPA and the Department of Agriculture have developed a uniform preliminary engineering report template that applies to multiple programs. Seven States have adopted the template for their use. EPA and USDA have also begun taking steps to develop guidelines to assist States in developing uniform environmental analyses.

In summary, the Nation's drinking water and wastewater infrastructure needs are large and funding them will be challenging. Rural communities face additional challenges in funding their infrastructure needs, given the financial technical expertise and coordination challenges they face overall. Federal agencies with States should consider how to ease communities' efforts to obtain funding, provide technical assistance, and better coordinate agency efforts.

Mr. Chairman, Ranking Member Tonko, that concludes my statement. I would be happy to answer any questions.  
[The prepared statement of Mr. Gomez follows:]



---

United States Government Accountability Office

Testimony

Before the Subcommittee on  
Environment and the Economy,  
Committee on Energy and Commerce,  
House of Representatives

---

For Release on Delivery  
Expected at 10:00 a.m. ET  
Friday, February 27, 2015

## RURAL WATER INFRASTRUCTURE

### Federal Agencies Provide Funding but Could Increase Coordination to Help Communities

Statement of Alfredo Gomez, Director,  
Natural Resources and Environment Team

## GAO Highlights

Highlights of GAO-15-450T, a testimony before the Subcommittee on Environment and the Economy, Committee on Energy and Commerce, House of Representatives

### Why GAO Did This Study

The nation faces costly upgrades to aging and deteriorating drinking water and wastewater infrastructure. Many rural communities face significant challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. The costs of replacing infrastructure in these communities are estimated by federal agencies to be almost \$190 billion in the coming decades.

A number of federal agencies provide funding and technical assistance to rural communities for infrastructure development. GAO has previously reviewed these federal agencies and the funding they provide rural communities. The agencies define rural differently, according to their individual authorizations and guidelines.

This testimony is based on reports GAO issued from September 2007 through October 2012, with updated information, as appropriate, through February 2015. It focuses on (1) the federal agencies that provide funding or technical assistance to rural communities and fiscal year 2014 funding and (2) issues identified in GAO's work that affect rural communities' ability to obtain funding for water and wastewater infrastructure.

GAO made recommendations in its reports to improve federal agencies' coordination of funding programs for rural communities. EPA and USDA generally concurred with the recommendations, have taken action on some, and are beginning to take action on others.

View GAO-15-450T. For more information, contact Alfredo Gomez, (202) 512-3841, [gomezj@gao.gov](mailto:gomezj@gao.gov)

February 27, 2015

## RURAL WATER INFRASTRUCTURE

### Federal Agencies Provide Funding but Could Increase Coordination to Help Communities

#### What GAO Found

Seven federal agencies provide funding or technical assistance to rural communities in developing drinking water and wastewater systems and complying with federal regulations. The Environmental Protection Agency's (EPA) Drinking Water and Clean Water Revolving Funds (SRF) are the largest source of funding and assistance receiving \$907 million and \$1.45 billion respectively in fiscal year 2014, some of which goes to rural communities. The Department of Agriculture's (USDA) Rural Utilities Service provides the next largest source of funding at \$485 million in fiscal year 2014. The other five federal agencies that provide funding or technical assistance to rural communities are the Department of Housing and Urban Development; Department of Health and Human Service's Indian Health Service; Department of Commerce's Economic Development Administration; U.S. Army Corps of Engineers; and Department of the Interior's Bureau of Reclamation.

GAO's work on rural water infrastructure funding found the following issues that affect the ability of rural communities' to fund water and wastewater infrastructure.

- Communities typically paid for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. In some cases, however, these communities did not have the number of users needed to share the cost of major infrastructure projects while maintaining affordable user rates. As a result, they depended heavily on federal and state grants and subsidized loan programs.
- Some rural communities did not have technical expertise and had to hire consultants and engineers to help design water or wastewater projects and complete the technical documents necessary to apply for funding. This included developing preliminary engineering plans and environmental documents. Some federal and state programs pay for technical service providers that communities can use to help them design and finance their projects, and apply for funding.
- Rural communities faced potentially duplicative application requirements when applying to multiple state or federal programs, making it more costly and time-consuming to complete the application process. For example, engineers GAO interviewed estimated that preparing additional preliminary engineering work could cost anywhere from \$5,000 to \$50,000 and that the cost of an additional environmental analysis could add as little as \$500 to a community's costs or as much as \$15,000. As of February 2015, EPA, USDA, and several of the other federal agencies had taken steps to improve coordination of funding and assistance to rural communities. Most notably, the agencies developed a standard engineering report that communities can use to apply for funding from multiple agencies.

---

Chairman Shimkus, Ranking Member Tonko, and Members of the Subcommittee:

I am pleased to be here today as you consider the infrastructure needs facing the nation's rural drinking water and wastewater systems. As you know, the nation's water utilities face the task and costs of upgrading aging and deteriorating infrastructure in both drinking water plants and wastewater treatment systems, including collection systems, treatment plants, and distribution systems. The Environmental Protection Agency (EPA) estimates that the funding needs for drinking water infrastructure overall total \$384.2 billion (as of 2011) and for wastewater infrastructure needs totals \$298 billion (as of 2008).<sup>1</sup> Many rural communities face significant challenges in financing the costs of replacing or upgrading aging and obsolete drinking water and wastewater infrastructure. The demand for drinking water and wastewater infrastructure projects in communities with populations of 10,000 and fewer people, which are often considered rural communities, is estimated by federal agencies to be almost \$190 billion in the coming decades.

A number of federal agencies provide grants, subsidized loans, and technical assistance to rural communities for drinking water and clean water infrastructure development. This testimony draws on our reports reviewing EPA's Drinking Water and Clean Water State Revolving Funds (SRF), the largest sources of federal funding for water and wastewater infrastructure, as well as programs managed by the Departments of Agriculture (USDA); Commerce; Housing and Urban Development, Health and Human Services; and the Interior; and the U.S. Army Corps of

---

<sup>1</sup>These data are from EPA's drinking water needs assessments. The most recent needs assessment is EPA, *Drinking Water Infrastructure Needs Survey and Assessment: Fifth Report to Congress*, EPA 816-R-13-006 (Washington, D.C.: April 2013) and the most recent clean water needs assessment is EPA, *Clean Watersheds Needs Survey 2008: Report to Congress*, EPA-832-R-10-002 (Washington, D.C.). EPA conducts a separate survey and assessment for each type of infrastructure, drinking water and wastewater, on separate 4-year schedules. The costs shown reflect the 20 year projected drinking water and wastewater infrastructure costs starting with the year that each survey was conducted.

---

Engineers.<sup>2</sup> My statement today is based on our prior reports issued from September 2007 through October 2012, for which we updated information as appropriate through February 2015. My statement focuses on (1) the federal agencies that provide funding or technical assistance for rural communities and fiscal year 2014 funding and (2) issues identified in our work that affect rural communities' ability to fund water and wastewater infrastructure. Detailed information about scope and methodology for this work can be found in each of our issued reports. The work upon which this statement is based was conducted in accordance with generally accepted government auditing standards.

---

## Background

Across the country, about 52,000 community water systems provide drinking water to communities, while more than 16,000 wastewater plants treat sewage and return it to a nearby water body.<sup>3</sup> Like all communities across the nation, rural communities often have old or aging drinking water and wastewater systems. Federal agencies define rural differently, depending on agency guidelines and individual project or program authorizations. USDA's Rural Utilities Service provides funding to communities of 10,000 or fewer people. EPA considers communities with 10,000 and fewer people as small. According to EPA, small public water systems have difficulties meeting the requirements of the Safe Drinking Water Act to provide safe drinking water to their customers. The smallest water systems, those serving fewer than 3,300 persons, make up only 8 percent of the population served, but represent nearly 83 percent of all systems with reported funding needs, according to EPA.

The need for a water infrastructure project can arise for multiple reasons, including bringing a system into compliance with wastewater or drinking water standards and replacing or upgrading aging equipment. For

---

<sup>2</sup>GAO, *Water Resource: Four Federal Agencies Provide Funding for Rural Water Supply and Wastewater Projects*, GAO-07-1094 (Washington, D.C.: Sept. 7, 2007); GAO, *Rural Water Infrastructure: Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region*, GAO-10-126 (Washington, D.C.: Dec. 18, 2009); and GAO, *Rural Water Infrastructure: Additional Coordination Can Help Avoid Potentially Duplicative Application Requirements*, GAO-13-111 (Washington, D.C.: Oct. 16, 2012).

<sup>3</sup>A community water system is a public water system that serves at least 15 connections used by year-round residents or that regularly serves at least 25 residents year-round. Cities, towns, and small communities such as retirement homes are examples of community water systems.



---

example, arsenic is often present naturally in groundwater, and many rural communities that use groundwater may need to upgrade drinking water treatment systems to meet federal standards for arsenic. Others may need to update basic wastewater systems, which treat wastes by allowing them to settle out in ponds or lagoons, with more sophisticated equipment that mechanically and biologically removes solids and contaminants.

Our previous work on water infrastructure needs identified serious problems in providing safe drinking water and sanitation (wastewater) infrastructure in one largely rural region of the country, the region along the U.S.-Mexico border.<sup>4</sup> U.S. residents along the border who do not have safe drinking water supplies often buy and store water in outdoor tanks or barrels for drinking and other domestic uses. This practice represents a significant health risk because the water is often transferred or stored in open containers and is subject to contamination. In addition, some residents rely on substandard septic systems or cesspools to dispose of sewage because they do not have access to wastewater treatment systems.<sup>5</sup>

---

### Seven Federal Agencies Provide Funding and Technical Assistance for Rural Drinking Water and Wastewater Infrastructure

Federal agencies administer a number of programs that provide funding and technical assistance to rural communities to help them build water and wastewater systems and comply with federal regulations. EPA's Drinking Water and Clean Water SRF programs and the USDA's Rural Utilities Service program provided most of the funding, but there are a total of seven key agencies that provide funding for rural water infrastructure:

- EPA annually provides grants to states to help finance local drinking water and wastewater projects nationwide through the Drinking Water and Clean Water SRF programs, some of which goes to rural communities.<sup>6</sup> States use this funding, along with a required 20 percent match, to capitalize their state revolving funds. The funds

---

<sup>4</sup>GAO-10-126.

<sup>5</sup>GAO-10-126.

<sup>6</sup>The Drinking Water SRF Program was established to make funds available to drinking water systems to finance infrastructure improvements. The Clean Water SRF Program was established to fund wastewater treatment projects.

---

provide low-cost loans or other financial assistance for a wide range of water infrastructure projects. In addition, EPA provides funds from the Drinking Water and Clean Water SRF programs to tribal nations throughout the United States for water and wastewater projects.

- USDA provides grants, loans, and technical assistance for rural water and wastewater projects through its Rural Utilities Service.<sup>7</sup> USDA can provide assistance for various activities, such as construction of water treatment and sewage collection facilities, connection of single-family homes to water distribution or wastewater collection lines, and training for the operation of water and wastewater utilities. USDA targets its funding to communities with fewer than 10,000 inhabitants.
- The Department of Housing and Urban Development disburses grants to states and local governments through the Community Development Block Grant Program to fund housing, infrastructure, and other community development activities. The annual appropriation for the block grants is split according to formulas, so that 70 percent is allocated among eligible metropolitan cities and counties, and 30 percent among the states to serve cities with populations of fewer than 50,000 and counties with populations of fewer than 200,000.
- The Department of Health and Human Service's Indian Health Service constructs water and wastewater projects through its Sanitation Facilities Construction Program. This assistance is available to tribal nations within the United States, and through the program, Indian Health Service constructs various projects, including distribution and collection lines, treatment facilities, and home connections.
- The Department of Commerce's Economic Development Administration provides grants to economically distressed areas through its Public Works and Economic Development Program.<sup>8</sup> Grant funds are to be used for construction of public facilities, including water and wastewater facilities.

---

<sup>7</sup>USDA defines a rural area as a city of 10,000 or fewer residents or any unincorporated area.

<sup>8</sup>The Economic Development Administration defines an area as economically distressed if it meets one of the following three conditions: (1) an unemployment rate that is at least 1 percent greater than the national average, (2) a per capita income that is 50 percent of the national average or less, or (3) the area has experienced or is about to experience a special need arising from sudden and severe changes in economic conditions.

- 
- The U.S. Army Corps of Engineers (Corps) provides assistance for water and wastewater projects in rural communities as directed by Congress. Congress has authorized and appropriated funds for the Corps to provide assistance for a number of projects, including projects that benefit rural communities in need of water or wastewater infrastructure.
  - The Bureau of Reclamation (Reclamation) can be directed by Congress to provide assistance for drinking water or wastewater treatment projects in response to individual project authorizations. In 2006, Reclamation received authorization, under the Rural Water Supply Act, to establish a rural water supply program.

As we have reported, EPA's SRF programs are the largest sources of federal assistance to states and local communities for water infrastructure development. From fiscal years 2005 through 2014, funding for the Drinking Water SRF averaged \$931 million annually and for the Clean Water SRF about \$1.3 billion annually. In fiscal year 2014, the SRF programs were funded at \$907 million and \$1.45 billion respectively. See table 1 for fiscal year 2014 program funding by agency and requested fiscal year 2015 funding.

**Table 1: Selected Water and Wastewater Infrastructure Programs, Fiscal Year 2014 Funding and Fiscal Year 2015 Funding Request**

Dollars in millions			
Agency and Program or Project	FY 2014 funding	FY 2015 funding request	Type of financial assistance
EPA, Clean Water State Revolving Fund Loan Program	\$1,449	\$1,018	Grants to states to capitalize loan funds
EPA, Drinking Water State Revolving Fund Loan Program	\$907	\$757	Grants to states to capitalize loan funds
USDA, Rural Utilities Service, Water and Waste Disposal Program	\$485	\$247	Grants
Housing and Urban Development, Community Development Block Grant	\$3,030	\$2,800	Formula grants
Department of the Interior, Bureau of Reclamation, Rural Water Supply	\$67	\$34	Loans and grants
Economic Development Administration, Public Works and Economic Development Program	\$96	\$85	Grants
Indian Health Services, Facilities and Environmental Health Support	\$211	\$221	Facility construction and technical assistance
U.S. Army Corps of Engineers	Est. \$45 (general) \$38 (environmental infrastructure)	\$26 (general)	Loans Technical planning services or grants

Source: GAO analysis of Congressional Research Service and Indian Health Service data. | GAO-15-450T

Note: Funding refers to appropriations for fiscal year 2014 and budget request amounts for fiscal year 2015.

While these seven federal agencies can each provide funding for water and wastewater infrastructure in rural communities, they have varying eligibility criteria that may focus funding to specific communities on the basis of population size, economic need, or geographic location. For example the USDA Rural Utilities Service program specifically provides funding to communities with populations of 10,000 or less. The Drinking Water SRF program, however, prioritizes funding on the basis of environmental improvement but may offer special technical assistance to small communities, and must set-aside a portion of funding specifically for such communities. Similarly, the Economic Development Administration has established formal nationwide programs with standardized eligibility criteria and processes under which communities compete for funding. Specifically, the agency's criteria require projects to be located in economically distressed communities, regardless of the size of the

---

population served, and the projects must save or create jobs. In contrast, Reclamation and the Corps have not historically had rural water supply and wastewater programs; rather, they have provided funding to specific projects in defined geographic locations under explicit congressional authorizations.

---

### Issues Affecting Rural Communities Ability to Fund Water and Wastewater Infrastructure

Our October 2012 report on rural water infrastructure funding found several issues that affect rural communities' ability to obtain funding for water and wastewater infrastructure.<sup>9</sup> These issues include financing, technical expertise, and agency coordination.

Communities typically paid for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. In some cases, however, these communities did not have the number of users needed to share the cost of major infrastructure projects while maintaining affordable user rates. In addition, unlike larger, urban communities that can issue their own public bonds to pay for major water and wastewater infrastructure improvements, it can be difficult for rural communities to independently finance such major improvements. In many cases, rural communities had limited access to financial markets, restricting their ability to issue bonds to raise capital. As a result, these communities depended heavily on federal and state grants and subsidized loan programs to finance their water and wastewater infrastructure projects.

Rural communities did not generally have the technical expertise to rebuild or replace their water and wastewater systems. As we reported in October 2012, they had few staff and often hired consultants and engineers to help them design a water or wastewater project, including developing preliminary engineering plans and environmental documents. Generally, once a community determines that it will build an infrastructure project, it seeks funding from various sources. Once funding is confirmed, a community or its consultant designs the project, obtains construction bids, contracts to build the project, and, if applicable, seeks reimbursement from funding agencies. Some federal and state programs pay for technical service providers that communities can use to help communities design and finance their projects, and apply for funding.

---

<sup>9</sup>GAO-13-111.

---

Communities can also get assistance from local planning districts, which are voluntary associations of county and municipal governments that provide development assistance to their membership. In addition, according to EPA documents, in many cases, small systems may not be able or eligible to apply for loan assistance through the Drinking Water SRF because of a lack of technical, financial, or managerial capacity. EPA provides technical assistance through the Drinking Water SRF to help complete engineering studies to highlight operational areas for improvement, additional assistance in completing an environmental review and developing cost estimates during the planning process, or assistance completing an application for funding. The Rural Utilities Service also provides funding to nonprofits that provide technical assistance to communities with drinking water and wastewater issues. In 2011, EPA and USDA's Rural Utilities Service signed a memorandum committing to work together to help rural communities face the challenges of aging infrastructure, increased regulatory requirements, workforce shortages, increasing costs and declining rate bases.<sup>10</sup>

Our 2012 report also found coordination issues between the agencies that provide funding to rural communities for water and wastewater infrastructure.<sup>11</sup> Our analysis showed that EPA and USDA had not taken some of the actions specified in a 1997 memorandum of understanding on interagency coordination.<sup>12</sup> For example, we found potentially duplicative application requirements when applying to multiple state or federal programs, including preliminary engineering reports and environmental analyses, which may make it more costly and time-consuming for communities to complete the application process. Federal and state programs each have their own application process through which communities can apply for funding, although the application processes generally include similar steps. These steps are (1) completing

---

<sup>10</sup>Memorandum of Agreement between EPA and the Rural Utilities Service: Promoting Sustainable Rural Water and Wastewater Systems, 2011.

<sup>11</sup>GAO-13-111.

<sup>12</sup>The joint memorandum, signed in 1997 by EPA and the USDA, sought to improve coordination among federal and state agencies as they help fund community projects. It identified four major actions that state and state-level federal offices can take to improve coordination and reduce inefficiencies and potential duplication of effort, including: cooperation in preparing planning documents; cooperation in removing policy and regulatory barriers; cooperation on project funding; and cooperation in preparing environmental analyses and meeting other common federal requirements.

---

an application that asks for, among other things, basic demographic, legal, and financial information associated with the project; (2) developing a preliminary engineering report that provides basic design specifications and other technical information for the project; and (3) conducting an environmental analysis that considers the environmental effects of the proposed project and alternatives. In some states we reviewed, communities told us that they had to complete separate but very similar application documents for the state SRF and state-level Rural Utilities Service programs. For example, in Colorado, an engineer for several projects we reviewed told us that the engineering firm had to complete preliminary engineering reports for both the state SRF programs and the state-level Rural Utilities Service program even though the reports had similar formats and information. In addition, in Colorado, North Carolina, and South Dakota, the state-level Rural Utilities Service program did not typically accept environmental analyses prepared for the SRF program because the state's analyses were less rigorous, according to Rural Utilities Service officials.

If consulting engineers have to provide similar, or even the same, information, in two different engineering reports or environmental analyses, their fees to the community may be higher. Engineers we interviewed estimated that preparing additional preliminary engineering work could cost anywhere from \$5,000 to \$50,000 and that the cost of an additional environmental analysis could add as little as \$500 to a community's costs or as much as \$15,000. Moreover, having to complete separate preliminary engineering reports or environmental analyses may delay a project because of the additional time required to complete and submit these documents. State officials in Montana told us that coordination between federal and state programs and the implementation of uniform application requirements could reduce the time it takes an applicant to complete a rural water infrastructure project by up to half.

In our December 2009 and October 2012 reports, we recommended several actions to improve coordination among the agencies and programs, such as completing an effort to develop guidelines to assist states in developing their own uniform preliminary engineering reports to meet federal and state requirements and starting an effort to create uniform guidelines for environmental analyses that could be used, to the extent appropriate, to meet state and federal requirements. As of February 2015, EPA and USDA had taken, or are in the process of taking, several steps to respond to our recommendations to improve interagency coordination on rural water infrastructure projects:

- 
- EPA and USDA, working with other agencies including the Department of Health and Human Service's Indian Health Service and the Department of Housing and Urban Development, have developed a uniform preliminary engineering report template and associated guidance, according to EPA and USDA officials. The template has been adopted at the national level by EPA, USDA, and the Indian Health Service, and USDA began web-based training for field staff in May 2013. The agencies worked with 16 states to develop the template and, according to USDA officials, 7 adopted the template for their use, and other states may be using it informally.
  - EPA and USDA have begun taking steps to develop guidelines to assist states in developing uniform environmental analyses. The agencies are participating in a work group, along with other federal agencies that fund rural water infrastructure projects (Department of Housing and Urban Development, the Department of Health and Human Services' Indian Health Service, and the Department of the Interior). The work group has developed a matrix that describes the environmental analyses required by each agency that is to be a tool that communities applying for funding can use to identify and complete appropriate environmental analyses. In addition, EPA is working with USDA to determine the extent to which requirements for EPA and USDA water infrastructure projects duplicate one another. As of February 2015, the agencies have drafted a best practices memorandum that highlights key issues found during this work, as well as what some states are doing to foster interagency collaboration, including reducing the potential for duplication of effort during the environment review process. According to officials, the memorandum is being reviewed within EPA and USDA and is to be sent to the states for their review and comment.
  - The agencies are also taking steps in the U.S.-Mexico border region to coordinate policies and procedures and to prioritize funding for projects. For example, several agencies are participating in the Tribal Interagency Task Force (e.g., EPA, USDA, Department of Housing and Urban Development, Indian Health Service, and Department of the Interior), a group that coordinates drinking water and clean water infrastructure projects on tribal lands, including the U.S. Mexico border. In addition, in 2014 EPA and USDA published a report describing a joint effort to address the critical public health and environmental challenges in the U.S.-Mexico Border region. This effort was created to leverage collective resources to assess needs within the border region. USDA announced a grant to fund the needs



---

assessment in April 2014 and awarded the grant in June 2014, with a report expected in 2015.

---

In conclusion, the nation's water and wastewater infrastructure needs are large and funding them will be challenging. Rural communities face additional challenges in funding their water and wastewater infrastructure needs, given the financial, technical expertise, and coordination challenges they face overall. Federal agencies, with states, have long played a role in assisting local communities and will likely continue to do so. As they do so, they can and should consider how to ease communities' efforts to obtain funding. In addition, technical assistance and better coordination of federal efforts could help communities' address these challenges.

Chairman Shimkus, Ranking Member Tonko, and Members of the Subcommittee, this concludes my prepared statement. I would be pleased to answer any questions you may have at this time.

---

#### GAO Contact and Staff Acknowledgments

If you or your staff members have any questions about this testimony, please contact me at (202) 512-3841 or [gomezj@gao.gov](mailto:gomezj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this testimony. Susan Iott (Assistant Director), Mark Braza, Antoinette Capaccio, Lee Carroll, Bruce Crise, Nicole Dery, John Hocker, Micah McMillan, Tahra Nichols, and Kiki Theodoropoulos made key contributions to this testimony.



**GAO's Mission**

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

**Obtaining Copies of GAO Reports and Testimony**

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's website (<http://www.gao.gov>). Each weekday afternoon, GAO posts on its website newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to <http://www.gao.gov> and select "E-mail Updates."

**Order by Phone**

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

**Connect with GAO**

Connect with GAO on Facebook, Flickr, Twitter, and YouTube. Subscribe to our RSS Feeds or E-mail Updates. Listen to our Podcasts. Visit GAO on the web at [www.gao.gov](http://www.gao.gov).

**To Report Fraud, Waste, and Abuse in Federal Programs**

Contact:

Website: <http://www.gao.gov/fraudnet/fraudnet.htm>

E-mail: [fraudnet@gao.gov](mailto:fraudnet@gao.gov)

Automated answering system: (800) 424-5454 or (202) 512-7470

**Congressional Relations**

Katherine Siggerud, Managing Director, [siggerudk@gao.gov](mailto:siggerudk@gao.gov), (202) 512-4400, U.S. Government Accountability Office, 441 G Street NW, Room 7125, Washington, DC 20548

**Public Affairs**

Chuck Young, Managing Director, [youngc1@gao.gov](mailto:youngc1@gao.gov), (202) 512-4800, U.S. Government Accountability Office, 441 G Street NW, Room 7149, Washington, DC 20548



Please Print on Recycled Paper.

Mr. SHIMKUS. Thank you very much.

Now, I would like to recognize Mayor Joseph Keegan, obviously mentioned by my ranking member, Mr. Tonko, from upstate New York. I see it is Castleton on the Hudson as a——

Mr. TONKO. Castleton on the Hudson.

Mr. SHIMKUS. And I know the Hudson. I lived in a small technical school down south on the river, the West Point school for wayward boys. So that is my alma mater and so I know the river and the valley real well. So welcome, and we are glad to have to you.

You are recognized for 5 minutes.

#### STATEMENT OF JOE KEEGAN

Mr. KEEGAN. Thank you.

Good morning, Mr. Chairman and members of the subcommittee. And my congressman, good morning, Congressman Tonko.

I am Joe Keegan, the mayor of a charming little village a few miles south of Albany, New York, on the banks of the Hudson River called Castleton-on-Hudson. We have a population of approximately 1,500 of the best people anywhere. My village is a member of the New York Rural Water Association, a nonprofit organization of small and rural communities throughout the State, which is somewhat responsible for my appearance here today. I got a call from the association on Monday asking about my availability, and I just happened to be traveling back to Castleton last night from a trip related to my day job.

My village is very typical and representative of communities that have water supplies in New York and the rest of the country. According to the U.S. Environmental Protection Agency, the State of New York has 2,305 community water systems, 88 percent of those serve populations under 3,300. All of the small community and water and sewer utilities have to comply with the same regulations, testing, and certifications as the biggest cities, but with only our very small rate payer base. And we have to operate, maintain, and update our water infrastructure with very small budgets.

As a small community mayor, my number one concern and worry is drinking water and number two is wastewater. Everything else is a distant third. If there is a problem with the drinking water, it has to be addressed immediately, middle of the night, middle of the winter. It doesn't matter when. Every citizen and especially the most vulnerable depend on the safety of the water, including families with infants, schools, our nursing homes, and people with compromised immune systems. We can't have any contamination of the drinking water. Our sewer system also needs to function properly to avoid any possibility of a sewage spill or sewage backup into people's homes.

I would say to you that this really does keep me up at night. Congressman Tonko knows that, right now, our part of the State is buried in snow. Just last week, the frost penetrated the ground so deeply that we experienced two ruptures in our water mains that are 5 to 6 feet underground. This forced us to issue a boiled water advisory where we have to tell families to boil water as well as contact all the schools. They have to cover their water fountains, the press, the nursing home, et cetera. I actually call as many citi-

zens as I can by robo-call. When something like this occurs, we manage the situation around the clock, locating equipment to excavate the frozen ground, repairing the waterline, getting the tests to the lab, and waiting for the all-clear results to lift the boil water order.

We appreciate the assistance of the subcommittee and Congress in helping us protect the public and successfully operate the public drinking water and wastewater supply through the various funding programs and the on-sight technical assistant initiatives. My village relies on this assistance.

I want to thank Congressman Tonko for sponsoring the Assistance Quality and Affordability Act of 2014 in the last Congress. Small and rural communities support your legislation because it enhanced the current Drinking Water State Revolving Fund by further targeting the funding to communities most in need. We do need help.

Everything from financing, regulations compliance, and the various programs are very complicated for small communities. We don't have financial professionals on staff and often don't understand many of the funding processes.

We currently have needs approaching \$3 million for our wastewater system. We need new aeration tanks, new sludge drying equipment, and new pumps as our facility is over 30 years old. We need to stop rainwater from leaking into the system and overtaxing our capacity.

My water operator is constantly explaining to me the need for these upgrades and his concerns of possible failure. However, we don't really have a way to finance it. It would triple the sewer rates to take out a loan for that much. You can see in the picture at the back of my testimony that we have some very old drinking water pipes that need updating or replacing at a substantial cost. The one in the picture is stamped with a date from the 19th century, and they are still in the ground in parts of the village.

We are concerned that, without more waterline replacement, we are vulnerable to more breaks and crisis. And you can see the other picture of a tuberculated pipe we recently dug up that is loaded with corrosion and deposits to the point it is almost occluded.

In my remaining time, I just want to emphasize the essential assistance we receive from the New York Rural Water Association and explain why it is so helpful. The association has circuit riders that are on call throughout the State that will come and assist us immediately, including evenings and weekends. The circuit riders are all experts in the technical side of water operations. Just a week ago, we called for help for locating a water leak from a ruptured pipe that could have occurred over any part of 100 foot waterline. The circuit rider has specialized equipment that can detect noises and vibrations underground to locate the exact location of a break.

In addition, my operators receive 90 percent of the training needed to retain their operator's licenses from the New York Rural Water Association. We depend on them just like every other small community.

Mr. Chairman, I have a lot more to say, but you have been very charitable with your time and attention to small and rural communities.

And on behalf of every small town elected official, we are grateful. Thank you for hearing from us, and I will answer any questions later.

[The prepared statement of Mr. Keegan follows:]

TESTIMONY OF

**MAYOR JOE KEEGAN**

ON BEHALF OF THE  
VILLAGE OF CASTLETON-ON-HUDSON

AND THE  
NEW YORK RURAL WATER ASSOCIATION

BEFORE THE  
SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY  
COMMITTEE ON ENERGY AND COMMERCE  
U.S. HOUSE OF REPRESENTATIVES  
(FEBRUARY 27, 2015)

Subject: *Safe Drinking Water Act issues related to small and rural drinking water utilities*

---

Good morning Mr. Chairman and Members of the Subcommittee, and my Congressman, good morning Congressman Tonko.

I am Joe Keegan, the mayor of a very charming little village a few miles south of Albany on the banks of the Hudson River called the Village of Castleton. We have a population of approximately 1,500 of the best people anywhere.

My village is a member of New York Rural Water Association, a non-profit organization of small and rural communities throughout the state which is somewhat responsible for my appearance here today. I got a call from the association on Monday asking about my availability and I just happened to be traveling back to Castleton last night from a trip related to my day job. Congressman Tonko knows this, but our part of New York is buried in snow and cold, and the other little village that was considering appearing, the Village of Delanson, said they could not come because the water department also has to plow the snow and they said they couldn't leave the plows even for Congress this week.

My village is very typical and representative of communities that have water supplies in New York and the rest of the country. According to the U.S. Environmental Protection Agency, the state of New York has 2,305 community water systems, 2,203 serve populations under 10,000,

and, 2039 (88%) serve populations under 3,300. Correspondingly, the U.S. has 50,581 community water systems, 46,313 serve populations under 10,000, and 41,393 (82%) serve populations under 3,300. All of us small community water and sewer utilities have to comply with the same regulations, testing, and certifications as the biggest cities – but with only our very small rate-payer base. And we have to operate, maintain, and update our water infrastructure with very small budgets.

As a small community mayor, my number one concern and worry is drinking water and number two is wastewater – and everything else is a distance third. If there is a problem with the drinking water, it has to be addressed immediately, middle of the night, middle of the winter, it doesn't matter when. Every citizen and especially the most vulnerable depend on the safety of the water, including families with infants, schools, our nursing homes, and people with compromised immune systems. We can't have any potential contamination of the drinking water. Similarly, our sewer needs to function properly to avoid any possibility of a sewage spill or sewage back-up into people's homes.

I would say to you that this really does keep me up at night. Just last week, the frost penetrated the ground so deeply that we experienced two ruptures in our water mains that are 5-6 feet underground. This forced us to issue a boil water advisory where we have tell families they have to boil the water, as well as contact all the schools, the press, the nursing home, etc. – I actually call as many citizens as I can by robo-call. When something like this occurs, we are doing nothing but managing the situation around the clock and trying to resolve the situation, find the equipment to excavate the frozen ground, repair the water line, get the tests to the lab, and wait for all-clear results to lift the boil order. Every additional hour of having to boil their water is a serious hardship on a family. School drinking fountains have to be covered. Pallets of bottle of water have to be procured and delivered. Some acutely impacted homes have to move to hotels, friends, or family. My village and every small community wants to take every measure possible to avoid this situation and protect the public – our citizens.

We appreciate the assistance of this Subcommittee and the Congress in helping us protect the public and successfully operate the public drinking water and wastewater supply through the various funding programs and the on-site technical assistance initiatives. My village relies on this assistance.



I want to thank Congressman Tonko for sponsoring the "Assistance, Quality, and Affordability Act of 2014," in the last Congress. Small and rural communities support your legislation because it enhanced the current drinking water state revolving fund by further targeting the funding to communities most in need, included grants and not just loans for small communities who can't afford to repay loans (like mine), expanded the technical assistance initiatives that small communities depend on, and attempted to simplify the process to small communities so they can better understand the process and secure funding.

We do need help; most everything from financing, regulations, compliance, and the various programs is very complicated for small communities. We don't have financial professionals on staff and often don't understand many of the funding processes. Consequently, small communities often fail to exploit some of the funding programs like the state revolving funds. Currently, my community does not have any financing through these funds. We desperately need funding, and I could not tell you exactly why we don't have access to these funds.

We currently have needs approaching 3 million dollars for our wastewater system. We need new aeration tanks, new sludge drying equipment, and new pumps as our facility is 30 years-old. We need to stop rain water from leaking in the system and overtaxing our capacity. We need to update the process of injecting air into our aeration tanks, and replace the old roof on the plant. My water operator is constantly explaining to me the need for these upgrades and his concerns of possible failure. However, we really don't have a way to finance it. It would triple the sewer rates to take out a loan for that much. We just financed a new storage tank for the drinking water for 800,000 dollars using municipal bonding and we'll have to pay that off. You can see in the picture at the back of my testimony that we have some very old drinking water pipes that need updating or replacing at a substantial cost. The one in the picture is stamped with a date from the 19th century – and they are still in the ground in parts of the village. It is said these pipes came over from France as the ballast of ships and we purchased them for the water. We are concerned that without more water line replacement we are vulnerable to more breaks and crises. And you can see the other picture of a tuberculated pipe we recently dug up that is loaded with corrosion and deposits to the point it is almost occluded. We need to replace these water mains. We recently had to repair a road over one of these mains, which I desperately wanted to replace – and the road work presented a convenient time to excavate and replace the main. However, the reality of our situation was the main replacement would

have cost 2 million dollars. We couldn't afford it, and we used all of state road allocation to resurface the road which means we can't disturb the road for 10 years.

In my remaining time, I want to emphasize the essential assistance we receive from New York Rural Water Association technical assistance and explain why it is so helpful. The association has circuit riders that are on call throughout the state that will come and assist us immediately including evenings and weekends. The circuit riders are all experts in the technical side of water operations. Just a week ago, we called for help for locating a water leak from a ruptured pipe that could have occurred over any part of the 150 foot water line. The circuit rider has specialized equipment that can detect noises and vibrations underground to locate the exact location of a break – where we need to excavate. This saves our village significantly in road disturbance. We can't afford to own the equipment and the circuit rider is an expert in using it – this saves us thousands of dollars and time. We have had their source water protection circuit rider assist us with compliance with the EPA mandate to delineate our source water area which saved us thousands in consultant fees. The wastewater circuit rider has analyzed the necessary repairs to our wastewater system and helped us prioritize the upgrades. My operators receive 90% of the training needed to retain their operators' licenses from New York Rural Water Association. My operators are so appreciative of the assistance funded through the Congressional appropriations process because the rural water circuit riders are always there and always available. We depend on them just like every other small community.

Mr. Chairman, I have a lot more to say, but you have been very charitable with your time and attention to small and rural communities – and on behalf of every small town elected official, we are grateful. Thank you from hearing from us and I will be happy to answer any questions.

Water break, Stimpson and Second Streets



#10 Seaman Avenue, 8 inch main, replaced



Mr. SHIMKUS. Thank you very much.

Since my district mostly has communities below 2,500 people, I thank you for those thank-you comments because hopefully they are paying attention, also.

Those bells signal that we have been called to vote early. I think we will just break here. We, as a Congress, I don't think, are going to be in a hurry today. So most of us will all get back here and hear the final testimony and then go into questions.

So, with that, I will recess the hearing.

[Recess.]

Mr. SHIMKUS. We will call the hearing back to order, and now I will turn to Mr. K.T. Newman on behalf of the Rural Water Association.

Sir, you are recognized for 5 minutes.

#### **STATEMENT OF KATETRA "K.T." NEWMAN**

Mr. NEWMAN. Good morning, Mr. Chairman and members of the subcommittee. Thank you for the opportunity to testify here today.

My name is K.T. Newman, and I have been working for or in small and rural community water systems in the Mississippi Delta for nearly 20 years. I first started out as a small city water manager in my hometown of Vaiden, Mississippi, which has about 1,000 homes. I then worked for the Mississippi Rural Water Association as a circuit rider for 10 years. In this capacity, I visited every one of the Delta's approximately 500 small communities to help them with their water and sewer problems. Currently, I am working for about two dozen small Delta communities assisting them with their water and sewer utilities.

I am honored to be accompanied here today by the mayor of one of these small towns, Mayor Everette Hill from Como, Mississippi. The town of Como has a population of approximately 1,200 persons. The mayor's challenges are compounded by the fact that as a small-town mayor he has a full-time job as a truck driver and has to handle much of the city's issues on his free time. His community has little professional staff because they simply can't afford it.

In Como, the wastewater system is failing because of its age and inability to meet its current EPA treatment. The cost to update Como's sewer system to be compliant is approximately \$2 million. The Como drinking water system needs an additional \$1 million in upgrades. The town was recently fined by the Department of Environmental Quality for failure to comply with their wastewater discharge permit. Currently, the Como wastewater treatment facility is actually discharging only partially treated wastewater due to failure of the current treatment works.

Como is just like thousands of other small communities in the Delta and the other States. They need a grant-rich infrastructure program like the USDA's rural development program, and they need access to someone they can trust for technical advice, on-site assistance, and help with managing the funding application process.

Mississippi has 1,234 regulated public water systems. Only two serve populations over 50,000 persons, and only 59 serve populations over 10,000 persons. More training needs to be provided to small town mayors like Mayor Hill so that multimillion-dollar up-

grades that will most certainly tax the ratepayers of these communities can be more readily understood and communicated to these residents who will ultimately be responsible for bearing the financial burden.

Recently, many of the small communities in the Delta have received violations for a relatively new EPA regulation referred to as the disinfections byproduct rule. These byproducts are a result of disinfecting their water to make it safe to drink. If these small communities limit or reduce the disinfective levels of the water, they will most certainly comply with this EPA regulation, but the water may no longer be safe to drink. Once the disinfection byproduct rule is violated, many small communities are forced to spend limited resources to report these violations to the consumers.

In the town of Shaw, population 1,900 persons, the community was under a boil water order for over 6 months because of a broken chlorinator needed to disinfect the drinking water. The local schools had to buy bottled water for 6 months. After they called the Mississippi Rural Water Association's circuit rider, Tom Abernathy, they were able to come up with a plan to pay for a new chlorinator, revise the town's billing program—able to come up with a plan to pay for a new chlorinator, revise the town's billing program to accurately assess the water used by citizens, and receive the payments, train the new mayor and town council, get the town's credit stable and secure some emergency State Revolving Fund financing.

In closing, whenever a small community is facing a compliance issue, the complication of a new EPA rule, a line break that they can't find that is causing people to lose water service, an emergency from a storm or power loss, we all call the circuit riders to tell us what it means and what to do. They have developed a trust relationship with small communities in their State that know how to fix things and are willing to come to your town day, night, or weekend.

Thank you for the opportunity to testify here today. Mayor Hill and I are available for questions. Thank you.

[The prepared statement of Mr. Newman follows:]

TESTIMONY OF

**KATETRA “K.T.” NEWMAN**

ON BEHALF OF THE

MISSISSIPPI RURAL WATER ASSOCIATION

AND

NATIONAL RURAL WATER ASSOCIATION

AND

TOWN OF COMO, CITY OF SARDIS, TOWN OF SLEDGE, CITY OF MARKS, TOWN OF TUTWILER, TOWN OF SHAW, TOWN OF CRUGER, TOWN OF TCHULA, HARLAND CREEK COMMUNITY WATER ASSOCIATION, CITY OF DURANT, TOWN OF VAIDEN, WEST MADISON UTILITY DISTRICT, MT OLIVE WATER ASSOCIATION, ST. THOMAS WATER ASSOCIATION, TOWN OF BOLTON, TOWN OF EDWARDS, TOWN OF UTICA, VICKSBURG/WARREN CENTRAL SCHOOL DISTRICT AND WEST TALLAHATCHIE UTILITY DISTRICT (MISSISSIPPI)

BEFORE THE

SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY

COMMITTEE ON ENERGY AND COMMERCE

U.S. HOUSE OF REPRESENTATIVES

(FEBRUARY 27, 2015)

Subject: Safe Drinking Water Act issues related to small and rural drinking water utilities

---

Good morning Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to testify here today.

Before I introduce myself, I would like to summarize the key points I plan to make in my remarks:

- That most all the communities needing to comply with the federal EPA water mandates are small and rural communities.

- That these communities have a more difficult time complying with federal mandates and operating and maintaining their water infrastructure because of limited economies of scale, limited budgets, and limited technical resources.
- That when small and rural communities look for help for compliance, finding funding, operations, and emergency response – they all call their state rural water association on-site technical assistance providers – every time.
- That of all the billions of dollars that Congress provides to the federal agencies for environmental programs, the only assistance that small and rural communities see and utilize is the assistance from these on-site “circuit riders.”

My name is K.T. Newman and I have been working for or in small and rural community water systems in the Mississippi Delta for nearly 20 years. I first started out as a small city water manager in my hometown of Town of Vaiden, Mississippi which has about 1,000 homes. I then worked for the Mississippi Rural Water Association as a circuit rider for ten years. In this capacity I visited every one of the Delta's approximately 500 small communities to help them with their water and sewer problems. Currently, I am working for about two dozen small Delta communities, assisting them with their water and sewer utilities.

I am honored to be accompanied here today by the mayor of one of these small communities, Mayor Everette Hill from Como, Mississippi. The Town of Como has a population of approximately 1,200 persons. Mayor Hill has been mayor for two years and his community is facing overwhelming water challenges. Como is typical of the types of challenges many of the approximately 45,000 small and rural communities across the country are facing today regarding their water infrastructure. The mayor's challenges are compounded by the fact he is a small town mayor, meaning he has a full-time job (as a truck driver), has to handle much of

the city's issues on his free-time, his community has little professional staff because they simply can't afford it.

In Como, the wastewater system is failing because of its age and inability to meet its current EPA permit. The cost to update Como's sewer system to be compliant is approximately 2 million dollars. The Como drinking water system needs an additional 1.0 million dollars in upgrades. The town was recently fined by the department of environmental quality for failure to comply with their wastewater discharge permit; currently the Como wastewater treatment facility is actually discharging only partially treated wastewater due to failure of the current treatment works. Within the past few months, Como finished paying the approximately 1 million dollar loan to construct their currently failing activated sludge treatment system. The loan placed considerable hardship on the residents.

Como is just like thousands of other small communities in the Delta and the other states, they need a grant-rich infrastructure funding program like the USDA's rural development program, and they need access to someone they can trust for technical advice, on-site assistance, and help with managing the funding application process.

Mississippi has 1,234 regulated public water systems -- only 2 serve populations over 50,000 persons and only 59 serve populations over 10,000 persons. That leaves 1,175 small and rural communities with populations under 10,000 persons that have to comply with every EPA regulations just like the larger cities of Jackson or Gulfport.

In the Town of Utica with a population of 850 persons, we are facing a nearly 1 million dollar compliance upgrade to meet our new and more stringent wastewater discharge permit. The town will likely have to accept hundreds of thousands of low-interest loan.-- I can personally see



the repayment of this loan placing significant hardship on the rate-payers. The Town is accepting this tremendous burden to pay for a new treatment technology called bio-domes that will be designed to enhance their current facultative lagoon cells and reduce the nutrient levels in the wastewater effluent. Small towns all across Mississippi and in fact the Country are faced with this dilemma. I believe small towns should be given more flexibility in their approaches to addressing these dilemmas. In addition, more training needs to be provided to small Town Mayors like Mayor Hill so that multi-million dollar upgrades that will most certainly tax the rate payers of these communities can be more readily understood and communicated to these residents who will ultimately be responsible for bearing the financial burden.

Recently, many of the small communities in the Delta have received violations for a new EPA regulation referred to as the "disinfection byproducts rule." These byproducts are a result of disinfecting their water to make it safe to drink. If these small communities limit or reduce the disinfectant levels of the water, they will comply with the EPA regulation, but the water may no longer be safe to drink. Once the "disinfection by products rule" is violated, many small communities are forced to spend limited resources to report these violations to the consumers. As I am sure you can imagine, a notice indicating a problem with the drinking water has the potential to cause pandemonium in these small communities. We urge Congress to take a look at this current and acute situation.

In the Town of Shaw, population 1,900 persons, the community was under a boil water order for over 6 months because of a broken chlorinator needed to disinfect the drinking water. The local schools had to buy bottled water for over six months. After they called the Mississippi Rural Water Association Circuit Rider, Tom Abernathy, they were able to come up with a plan to pay for a new chlorinator, revise the town's billing program to accurately assess the water used by citizens and receive the payments, train the new mayor and town council, get the Towns' credit

stable, and secure some emergency state revolving fund financing. I have to acknowledge that Congressman Thompson was essential in getting this plan started for the initial assistance to the community. The new mayor is overwhelmed with the challenges the town is facing, but now he has a plan and someone he can count on and trust to help the town deal with all the challenges – and that person is the rural water circuit rider.

In closing, whenever a small community is facing a compliance issue, the complication of a new EPA rule, a line break that they can't find that is causing people to lose water service, an emergency from a storm or power loss – we all call the circuit riders to tell us what it means and what to do. They have developed a trust relationship with small communities in their states, know how to fix things, and are willing to come to your town day, night or weekend. The analyst here in DC who works for rural water told me that Congress gives EPA over 2 and ½ billion dollars every year to pay for environmental programs – I am sure that it goes to good use somewhere, but the only benefit that small and rural communities get to help them with their water issues comes from the on-site technical assistance provided by their state rural water associations. Thank you for the opportunity to be here, and Mayor Hill and I are happy to answer any questions.

Mr. SHIMKUS. Thank you very much, and welcome, Mayor Hill. It is good to have you with us also.

I would now like to turn to Mr. Bobby Selman on behalf of the Mississippi Rural Water Association.

And you are recognized for 5 minutes.

Thank you.

#### STATEMENT OF BOBBY SELMAN

Mr. SELMAN. Good morning, Mr. Chairman and members of the subcommittee. It is an honor to appear before you today.

My name is Bobby Selman. I am a certified drinking water and wastewater operator in the State of Mississippi with an engineering background from Mississippi State. I have been working in the water world for 25 years, starting in my hometown in Lawrence County. I still work for the Lawrence County Water Authority in addition to 12 other small communities and rural water associations.

I want to thank my Congressman, Gregg Harper, for his support and assistance to all the over 150,000 small public water systems across the country for sponsoring the Grass Roots Rural and Small Community Water Systems Assistance Act. Representative Harper's bill directs the U.S. Environmental Protection Agency to prioritize the type of technical assistance that small communities find is most beneficial.

The rural water type of on-site technical assistance is what all the small communities in Mississippi and the other States rely on for help with compliance, operations, emergencies, line breaks, loss of water, setting rates, and training for operator certification. I am told that Congress funds the EPA's internal management budget by hundreds of millions of dollars every year. Small and rural communities want Congress to know that the only benefit we get comes from the small portion of the EPA funding that is directed to on-site technical assistance provided by what we call circuit riders.

What small communities do when they have a question or water issue is call their local circuit rider that they know, trust, and know can give them clear answers. These circuit riders often come immediately on site to small communities and teach them how to fix their problem. There is just no one else out in the field at the local level providing this essential help.

After Katrina, two of my small communities in Simpson County were devastated. Each served approximately 2,500 people, and they were without power and water. People in communities can get by without power for a while, but not without water. I called the Mississippi Rural Water Association circuit riders and they found emergency generators for me and delivered them to the communities at no charge.

Since the circuit riders know everybody in the State, they were able to borrow some generators from northern communities not impacted by the hurricane and had the generators delivered to get the drinking water and sanitation restored immediately. The circuit riders also had the technical know-how to rig the generator's electrical systems, size the right voltage, and even drive a backhoe if needed to clear the streets and dig up ruptured lines. All of this

type of assistance is essential to restore a water supply in an emergency.

I called a circuit rider out to help me at a Double Ponds Water Association, a community of about 1,000 homes to find a line break causing a loss of water for many homes. The circuit rider came with advanced radar equipment that can precisely identify the location of the break, which on this day happened to be out in the woods. By funding the circuit riders, Congress is allowing all small and rural communities to share this technical resource that no one community can afford on their own. We think it is the best use of our Federal water environmental dollars.

With the federalization of the operator certification under the Safe Drinking Water Act of 1996, State rural water associations have become the main source of training for operators and the main source of continued education credits which are needed every year to maintain this certification.

Many parts of rural America have seen industry move on, leaving behind depressed economies. In my region the garment industry moved south after NAFTA. When this happens, raising rates becomes overly burdensome. In the town of New Hebron, Mississippi, with just over 400 people, we are now being told that we need to comply with a new EPA wastewater discharge permit that will cost \$2 to \$3 million.

I will close with some comments on the Federal water infrastructure programs, namely the EPA State Revolving Funds and the USDA Rural Development Grant and Loan Program. We are very appreciative for Congressional funding of these initiatives, and realize the funding constraints in Congress and the Nation. Notwithstanding the curtailment Federal funding, the regulatory burden continues to increase and become more complex.

We urge you to emphasize grants in these funding programs. Low interest loans often don't help the communities facing the most severe hardship from Federal compliance, leaving the loan funds to be used for compliance with greater ability to afford financing. We are very grateful for the funding assistance. It has allowed many rural and small communities to have access of drinking water and sanitation that would otherwise not have been able to afford without the Federal assistance, and we want to be partners in the effort to make the initiative as efficient and successful as possible.

Thank you very much, Mr. Chairman, and I am eager to answer any questions at the appropriate time.

[The prepared statement of Mr. Selman follows:]

TESTIMONY OF

**BOBBY SELMAN**

ON BEHALF OF THE

MISSISSIPPI RURAL WATER ASSOCIATION

AND

LAWRENCE COUNTY WATER, SONTAG WATER ASSOCIATION, TOWN OF MONTICELLO, TOWN OF NEW HEBRON, CROOKED CREEK WATER ASSOCIATION, HIGHWAY 28 WATER ASSOCIATION, BOGGAN RIDGE WATER ASSOCIATION, DOUBLE PONDS WATER ASSOCIATION, NE JEFF DAVIS WATER ASSOCIATION, BUNKERHILL WATER ASSOCIATION, TOPISAW CREEK WATER ASSOCIATION, AND TOWN OF ROXIE (MISSISSIPPI)

BEFORE THE

SUBCOMMITTEE ON ENVIRONMENT AND THE ECONOMY

COMMITTEE ON ENERGY AND COMMERCE

U.S. HOUSE OF REPRESENTATIVES

(FEBRUARY 27, 2015)

Subject: Safe Drinking Water Act issues related to small and rural drinking water utilities

---

Good morning Mr. Chairman and Members of the Subcommittee, it is an honor to appear before you today.

My name is Bobby Selman. I am a certified drinking water and wastewater operator in the state of Mississippi with an engineering background from Mississippi State. I have been working in the water world for 25 years, starting in my home town in Lawrence County. I still work for the Lawrence County Water Authority in addition to 12 other small communities and rural water associations.

Before I give you some thoughts on the water challenges small and rural communities are facing related to more stringent compliance, depressed economies, aging of water infrastructure, failing infrastructure, limited technical expertise, new standards for operator certification, hurricanes devastating the water supply, and shrinking funding programs – I want

thank my Congressman, Gregg Harper for his support and assistance to all the over 150,000 small public water systems across the country for sponsoring the Grassroots Rural and Small Grassroots Rural and Small Community Water Systems Assistance Act. Representative Harper's bill directs the U.S. Environmental Protection Agency (EPA) to prioritize the type of technical assistance that small communities find is most beneficial. The rural water type of on-site technical assistance is what all the small communities in Mississippi and the other states rely on for help with compliance, operations, emergencies, line break, loss of water, setting rates, and training for operator certification. I am told that Congress funds the EPA's internal management budget for hundreds of millions of dollars every year. Small and rural communities want Congress to know that the only benefit we get comes from the small portion of the EPA funding that is directed to on-site technical assistance provided by what we call circuit riders. Guidance documents, inspections, manuals, symposia, reports, on-line tools, webinars, and civil penalties don't really help at the local level when a small town needs immediate help. What small communities do when they have a question or water issue is call their local circuit rider that they know, trust, and know can give them clear answers – these circuit riders often come immediately on-site to small communities and teach them how to fix their problem. There is just no one else out in the field at the local level providing this essential help.

After Katrina, two of my small communities in Simpson County were devastated. Each served approximately 2,500 people and they were without power and water. People and communities can get by without power for a while, but not without water. I called the Mississippi Rural Water Association circuit riders and they found emergency generators for me and delivered them to the communities at no charge. Since the circuit riders know everybody in the state, they were able to borrow some generators from northern communities not impacted by the hurricane and have the generators delivered to get the drinking water and sanitation restored expeditiously. The circuit riders also have the technical know-how to rig the generators' electrical systems, size the right voltage, and even drive a back-hoe if needed to clear the streets and dig up rupture lines – all of this type of assistance is essential to restore a water supply in an emergency.

I called the circuit rider out to help me at the Double Ponds Water Association, a community of about 1,000 homes, to find a line break causing a loss of water for many homes. The circuit rider came with advanced radar equipment that can precisely identify the location of the break – which on this day happened to be out in the woods. By funding the circuit riders, Congress is

allowing all small and rural communities to share this technical resource that no one community can afford on their own. We think it is the best use of your federal water-environmental dollars.

With the federalization of operator certification under the Safe Drinking Water Act of 1996, state rural water associations have become the main source of training for operators and the main source of continued education credits which are needed every year to maintain the certification. It can be very expensive for a small community to keep their operators certified, in fact many small communities can't afford to have a certified operator and have to share one – as is the case with many of the communities I am representing. Rural water training is often provided free of charge, provided locally, and tailored to exactly what that particular operator needs to stay certified and competently operate their specific facility. Many small community water systems only have a few hundred homes that have to fund their operations, infrastructure, testing, treatment chemicals, and personnel for both a water and sewer supply. Further, many of these systems were built in the 1960s and are reaching the end of their lifespans resulting in pipe breaks, tanks and pumps needing replacing, old wells failing, and the list goes on.

Many parts of rural America have seen industry move on, leaving behind depressed economies. In my region, the garment industry moved south after NAFTA. When this happens, raising rates becomes overly burdensome. In the town of New Hebron, Mississippi with just over 400 people, we are being told we need to comply with a new EPA wastewater discharge permit for the cost of 2-3 million dollars. In addition to more stringent compliance standards, standard operation and maintenance that a large community would have no problem with absorbing the cost can be very expensive on a cost per household basis in small water supplies. In Lawrence County with approximately 2,000 persons, we are trying to finance a new well because our 50 year-old well has rusted out and at the same time pay for the storage tank to be painted for a combined cost of 500,000 dollars – and this is a relatively large, small water supply.

It would be nice if we could consolidate all the little towns into one large water supply to realize cost savings, limit duplication, and obtain greater economies of scale. When this is practical, we emphatically pursue it. Often it is more expensive to develop the new infrastructure needed to accomplish regionalization than to continue to operate separate systems.

I will close with some comments on the federal water infrastructure programs – namely the EPA state revolving funds and the USDA rural development grant and loan program. We are very

appreciative for Congressional funding of these initiatives, and realize the funding constraints on Congress and the nation. Notwithstanding the curtailment of federal funding, the regulatory burden continues to increase and become more complex. We urge you to emphasize grants in these funding programs. Low interest loans often don't help the communities facing the most severe hardship from federal compliance – leaving the loan funds to be used for compliance with greater ability to afford financing.

We also urge to keep reviewing the federal funding program to ensure that the subsidized funding is being targeted to the communities most in need financially and environmentally. And please do what you can to make the process of obtaining funding as simple as possible. Often the complexity of the funding process overwhelms small and rural communities' abilities – this could be addressed by using some of the infrastructure funding to help these communities with the application process. It can currently take up to 3-4 years from the beginning of the process to the awarding of funding.

We are very grateful for the funding assistance, it has allowed many rural and small communities to have access to drinking water and sanitation that they would otherwise not have been able to afford without the federal assistance, and we want to be partners in the effort to make the initiatives as efficient and successful as possible.

Thank you very much Mr. Chairman and I am eager to answer any questions at the appropriate time.



Mr. SHIMKUS. Thank you very much.

Our last but not least panelist is Mr. Robert Stewart, who is the Executive Director of the Rural Community Assistance Partnership.

Welcome, sir, and you are recognized for 5 minutes.

#### **STATEMENT OF ROBERT STEWART**

Mr. STEWART. Thank you, Chairman Shimkus, Ranking Member Tonko, and members of the committee.

I think the previous witnesses and you all have done a excellent job of sort of framing the issue. As someone that has worked 20 years with hundreds of communities in Texas, both for the Rural Community Assistance Partnership and the Rural Water Association, and someone who has directed a national program for 10 years, I am here to tell you that the needs of small communities are many, the resources are limited, but I tell you, the dedication and the determination of small communities to provide their citizens with the best possible water is strong and undiminished.

I want to—I am sure everyone knows a little bit about the Rural Community Assistant Partnership. It is in my testimony, and I won't repeat things that are in my testimony. I just wanted to sort of make a few points that have been touched on but maybe I could amplify a little bit.

One is the access to capital. I think there is a real issue in small communities in accessing the financial resources that they need in order to build the infrastructure, extend lines to new customers. I believe Mr. Gomez talked a little bit about access to the municipal bond market. For small communities, this is just not an option at all. We find that there is 53,000-some-odd community water systems in the country. Perhaps 4 percent of them have the ability to access the municipal bond market.

So what they are left with is the two primary Federal financing programs, being the Drinking Water SRF and USDA Rural Developments Water and Environmental Programs, and so, you know, it is really critical that those programs continue to be supported in a robust manner. We work a lot with rural development and their water environment program. They are the primary lender in rural communities. They have some 18,000 plus loans out with small water systems, and as you probably know, there is virtually no default on these loans. We take these matters very seriously in repaying the loans that are made to small communities.

One of the things that RD has going for them is they have field staff in every State. They have the ability to work directly with the communities. The communities know their local folks in the district and State offices, and it is just a more cooperative and easier way to get funding through rural development.

Rural Development also funds both the Rural Water Association and RCAP to do technical assistance and training. A lot of the staff that work for me around the country work through the application processes and all the requirements that are needed in order to get a loan from Rural Development.

EPA State Revolving Funds are also a very important part of the financing scheme for small communities. I think all of you know that as a result of the 1996 amendments to the Safe Drinking

Water Act the State revolving program was formed, and it was mainly to deal with compliance issues, and if you look at who is out of compliance or where the most health-based compliance issues are, 96 percent of those are from small communities. So you would think that, you know, most of the money or a big portion of the money would go to the communities, whether they are urban, rural, small or large that have the compliance issues, but as you can look at EPA's own numbers, perhaps 25 percent of the funding actually goes to the small communities in this country.

You know, we would think that a larger amount of money from the SRF program should be dedicated to economically disadvantaged and small rural communities.

EPA does have a—has a program as a result of the 1996 amendments that funds the technical assistance kind of a program that both Rural Water and RCAP have advantage of. It is not funded at the authorized level that was authorized 20 some years ago, and so we would hope that you would consider some additional resources for that particular program.

And I know one of the things you are looking at is what else can be done? You know, what else can we do to work with small communities. There are a lot of other options. One of which both Rural Water and RCAP work on is the sharing of services. How can small communities get together, share an operator, share a manager, share purchasing. How can we look at possibilities that actually—you know, combining systems if they are close. It is very difficult, and one of the problems the funding agencies have is that it is easier for them to make a \$10 million loan than 10 \$1 million loans. So that sort of hurts small communities even more. With reduced staffing levels in both EPA and RD, there is an emphasis more for the larger loans, which I think adversely affects small communities even more.

So I think the regionalization approaches where appropriate are important, but the only way those are going to happen is that if you have people like the circuit riders and the technical assistance providers that work for RCAP that are out working with those communities on a day-in/day-out basis to sort of work through those kind of issues.

One of the other things real quickly because my time is running out is you talk about tools. I would like to give credit to EPA for developing the variety of tools and for working with Rural Development on tools. Assess management tools, tools to look at sustainability for communities. Again, tools are important to be developed for use by small communities, but it takes someone in the field like a Rural Water or an RCAP person to actually bring those tools out to these communities, and if it—I would also—if maybe this could be handled in the questions, I know you are interested in WIFIA and some of the other alternative financing programs. I would be glad to talk about that also.

My time is up, though, so I really appreciate the opportunity to be here with you today.

[The prepared statement of Mr. Stewart follows:]



**Testimony to the  
Subcommittee on Environment and the Economy  
Committee on Energy and Commerce  
United States House of Representatives**

**Mr. Robert Stewart  
Executive Director  
Rural Community Assistance Partnership**

**February 27, 2015**

**Summary**

Small and rural drinking water systems constitute nearly 85% of the 53,000 community water systems in America. With limited staffing and ongoing issues related to accessing capital for improvements and repairs, these systems continue to have the highest violations of the Safe Drinking Water Act. Small water systems need increased access to USDA Rural Development Water and Environment Programs and for the EPA State Revolving Funds to be better managed to meet small system needs. Facing increasing regulatory demands, the need for planning and asset management programs along with requirements regarding proper financial management (and many others), these small utilities need access to training and technical assistance. The most effective technical assistance programs place an experienced professional at the utility to provide guidance and support on technical, managerial, and financial requirements. Robust training programs are needed to educate operators, managers, and the governing body concerning their responsibilities and how best to operate and manage a small utility under a regulatory environment. Trainings need to be on-site, or within a localized area for easy access by the utility. In addition, more training should be delivered electronically to take advantage of reaching a larger number of systems without requiring expensive and disruptive travel requirements. Alternative service delivery approaches should be considered, such as sharing services, cooperative operations and management, and even full consolidation. Training tools and operational programs must be developed in order to be easily assimilated by small systems. And finally, new approaches to financing small utilities should be considered, noting that the new WIFIA program will not benefit small systems.

**Introduction**

Thank you, Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee, for this opportunity to address the needs of drinking water systems in rural and smaller communities. In my nearly thirty years of work in the rural utility field, including twenty years in my home State of Texas, and now managing a nation-wide rural community development organization, I have experienced firsthand the many issues that impact the ability of small drinking water systems to meet regulatory requirements while providing their customers with safe and affordable services to promote the quality of life in the thousands of rural communities that form the backbone of our heartland.

My name is Robert Stewart, and I am the Executive Director of the Rural Community Assistance Partnership (RCAP). RCAP is a non-profit national network of regional service providers that for over 40 years has helped small, low-income, rural communities address water, wastewater, and other community development needs in all 50 states, Puerto Rico, and the Virgin Islands. Our team of community assistance providers delivers onsite training and technical assistance to small water and wastewater systems to help them meet regulatory requirements, finance and manage capital improvement projects, and to develop and sustain technical, managerial, and financial capacities.

For many years, the RCAP network has worked with USDA Rural Development and the Environmental Protection Agency as well as state primacy and infrastructure funding agencies to ensure that critical financing, technical assistance and comprehensive training opportunities are made available to small rural drinking water systems. RCAP not only assists rural communities with funding applications and every phase of the

project planning and development process, but also provides training and technical assistance after construction is complete, helping communities understand how to properly manage and operate their system in a fiscally sustainable manner. Every year the RCAP network helps roughly 2,000 rural communities address their water and wastewater needs.

Providing these basic services is a challenge for many rural communities. Rural residents are three times more likely than their urban counterparts to lack water and sanitation; they also typically pay nearly three times the amount for water and sewer services. Due to their limited customer base, small utilities lack the economies of scale that reduce the costs of infrastructure construction, operation, and maintenance to levels that are affordable to low-income residents.

#### **Access to Capital**

As with their larger urban counterparts, drinking water systems in rural and smaller communities require access to capital to extend services and maintain treatment and distribution systems that serve their residential and commercial customers. There is no need to recount in detail here the extent of the need for water utility infrastructure investment over the next twenty years; these range from EPA's estimate of nearly \$400 billion to those produced by the American Water Works Association and the American Society of Civil Engineers that place that figure closer to \$1 trillion including over \$59 billion just to meet the needs of drinking water systems serving under 3,300 population. While large utilities can issue municipal bonds for these improvements only about 4% of the 53,000 community water systems are large enough to issue their own bonds. For the

47,000 medium, small, and very small systems, the municipal bond market is not an option. These systems must depend upon federal and state financing sources such as those operated by the USDA Rural Utility Service's Water and Environmental Program (WEP), EPA's State Revolving Funds (SRF), other state specific infrastructure funding programs, or their own resources. Access to this capital is crucial to protect public health and allow for economic development in rural communities. Without this basic infrastructure, local employers will relocate or close factories and small businesses will decline and eventually disappear. The entrepreneurs and small business owners who are the engines of our economy won't open new businesses, shops, or restaurants on Main Street without basic services. Infrastructure remains a primary foundation of economic development, and to promote economic growth in rural America, businesses' and residents' basic needs, like water and sewer services, must be met. Opportunities for continued economic growth in rural communities are substantial. Agricultural production, oil and gas development, mining operations, alternative energy pursuits, and tourism are all vibrant economic sectors that depend on sustainable rural communities.

Small rural communities therefore need the continuation of EPA's and USDA's water infrastructure funding programs and with the extent of the need and the benefits to be derived, consideration should be made to increasing funding levels to these vital programs. EPA's SRF program should be better targeted at small rural communities. That program, created under the Safe Drinking Water Act Amendment of 1996, was to assist utilities in complying with increased regulatory requirements. Approximately 96% of all health based violations occur at systems serving a population of less than 10,000 while less than a third of the SRF outlays are directed at these same small systems. Small

rural systems lack the economies of scale enjoyed by large urban systems resulting in higher user fees and a reduced ability to self-finance improvements. The average water bill in small rural communities funded by RUS is approaching \$50/month (sometimes much higher for surface water systems), while at my home in Fairfax County I pay approximately that amount for water and sewer service combined. Even more important for rural communities has been the Rural Utility Service's WEP. The agency boasts a portfolio of more than 18,000 active water/sewer loans, more than 19 million rural residents served, and a delinquency rate of just 0.18%. This success is partly attributable to the field presence RD has historically maintained in rural areas. With staff in field offices throughout the country, RD is uniquely positioned to evaluate the credit-worthiness of small utilities and is able to distribute federal funds quickly and efficiently to areas of great need. Staff reductions in RD offices across every state have started to hinder the ability of RD to serve rural communities with critical services. In drought years, or after natural disasters, community leaders benefit from being able to turn to a local RD staffer that they know and trust and who is familiar with their system and its needs. RCAP supports the continuation and strengthening of the WEP as a primary means to meet drinking water needs in rural communities.

#### **Technical Assistance and Training**

Small water utilities need increased access to technical assistance resources and training programs that can enable them to evaluate and obtain capital financing, operate in accordance with regulatory requirements, and cost-effectively manage their utility. Small city council or water district directors are most often volunteers who lack



professional staff and the resources to find out what funding sources are available or the requirements for funding eligibility. Funding application processes and eligibility requirements for each federal and state program are slightly different and each poses unique challenges. With help from an experienced technical assistance provider, however, even communities with no staff and limited planning resources can develop the local leadership capacity to apply for and manage needed infrastructure projects. Technical assistance plays a vital role in ensuring that the programs serve the communities they were designed to benefit in a cost effective manner. While there are many calls for reducing the requirements associated with obtaining water and wastewater financing from RD and EPA, RCAP's opinion is that these requirements are for the most part necessary to ensure that the federal government is making financial support available to the neediest communities while ensuring the security of the federal investment. The extremely low default rate on these loans is a testament to the efficacy of existing requirements. Common environmental review requirements among all federal and state infrastructure programs would be one area for improvement. Oftentimes projects have multiple funding sources with varying environmental review/assessment requirements causing duplication of effort that produces no tangible benefit to the funders.

Technical assistance and targeted training is critically needed to assist small communities meet increasing regulatory requirements. Small and very small systems (depending on their size) typically employ a single certified water operator who is responsible for all operations, maintenance and repair of the utility's treatment plant and distribution system. These professionals are typically overworked and underpaid and the majority are nearing retirement age. My experience has been that these operators are

extremely dedicated to their work and will do everything possible to ensure that their customers receive uninterrupted water service that meets all requirements. However, new federal rules such as the Revised Total Coliform Rule place additional demands on operators who must learn about this rule and apply it to their utility. On-site technical assistance provides these operators with the guidance and support they need to meet operational requirements and ensure public health. In almost all cases the only way this assistance is provided is through on-site assistance provided by RCAP's Technical Assistance Providers (TAPS) or by state Rural Water Associations' Circuit Riders. On-site assistance is also needed to help the utility manage their business and financial affairs. Preparing budgets, conducting rate studies, developing Operation and Maintenance manuals, preparing customer service policies, and many other similar requirements are extremely difficult for these small utilities. TAPS and circuit riders provide the tools, the expertise, and the guidance to help small utilities with these programs. While both EPA and USDA Rural Development acknowledge the efficacy of on-site technical assistance, funding for these programs has decreased in recent years. Technical assistance funding authorized under Section 1442(a) of the Safe Drinking Water Act (\$15 million a year) is never included in the administration's budget, requiring Congress to add an amount (\$12.7 million in recent years) in their appropriation. This amount authorized nearly 20 years ago is not sufficient to meet the needs of small water utilities and should be increased. In addition, Section 306(a) of Consolidated Farm and Rural Development Act allows USDA to fund technical assistance grants and a circuit rider program (recently at \$19 million and \$15 million a year respectively). An increase

in funding levels to these programs would help better meet the needs of rural water systems.

In order to meet the varied needs of small communities, RCAP in recent years has created a multi-faceted program to deliver a variety of training resources. Oftentimes small utilities cannot afford to have their only operator travel for centralized training classes. As such, much of RCAP's training is conducted on-site, whether it is directed at the operator, the manager, or the governing body of the utility. In addition, RCAP has designed and is presenting a variety of synchronous and asynchronous web-based trainings that allow utility staff and managers to access training from their workplace or home. RCAP places a wealth of information on utility operations, management and financing on our website, available free of charge. These informational materials are prepared specifically to meet the needs of small utilities, are easy to understand and apply to local requirements. RCAP strongly supports the provision of training services through on-site training, local or regional classroom style training, on-line training and the provision of educational materials both in-print and online. Only through this multi-facet approach is there any expectation that small utilities will be able to access the training resources that they need.

#### **Sharing of Services, Cooperative Approaches and Regionalization**

Another means to assist rural utilities is to provide guidance, support, assistance, and incentives in the areas of sharing services or using cooperative approaches to deliver services. These can include everything possible up to and including consolidation or regionalization of services. In order to maximize limited resources, communities need to

realistically examine whether operating their own facilities is cost effective. Services such as meter reading, billing, purchasing, or employing a certified operator can be shared among two or more nearby utilities. With respect to water infrastructure, at times clusters of small towns can better and more affordably be served by having one large treatment plant with pipes running to each town than by having a separate treatment facilities. In areas where communities are too far apart to run pipes, utilities could benefit from shared management, operations, purchasing, and other similar joint service provision. Regionalization may not be feasible in all cases, especially in areas with large distances between communities. However, RCAP recommends that potential borrowers demonstrate to RD and the SRFs their efforts to employ regionalized service provision as part of the application process. Most states now require that new or expanding utilities provide documentation regarding their efforts to regionalize prior to their being granted a license or certificate to serve an area. Priority should be given to applications for regional service provision, especially in cases where smaller or non-compliant systems are being consolidated. By giving priority to projects in which the applicants can demonstrate that they have weighed the costs and benefits of regionalization, RD and EPA can encourage regional projects where appropriate without disqualifying communities that are geographically isolated. RCAP's experience has been that regionalization is most often successful when a technical assistance provider is able to spend time with all entities involved to offer alternative approaches, assist in the evaluation of costs and benefits, identify funding sources, prepare necessary documentation, and assist with public education and outreach.

**Tools to Improve Operations and Management**

One strong point for EPA in particular has been its development of a variety of tools that can be used by small utilities, such as the Simple Tools for Effective Performance (STEP) guides or the Check-Up Program for Small Systems (CUPSS), which is an asset management program (there are many others). In addition, EPA and RD have been working together to produce a variety of tools that address effective utility management and planning. This is one role that the two agencies can effectively assume to help small systems. RCAP would encourage the agencies to continue to seek out and incorporate advice from RCAP and the National Rural Water Association. Both of our organizations have the means and experience to ensure that these tools meet the needs of the small communities and the ability to deliver these tools on-site in rural communities. Other tools and programs needed by small communities that have been developed or used by RCAP include, ones that address vulnerability assessments, emergency response plans, contingency plans for drought and storm-related events, use of GIS systems to map utility components, energy audit programs, and leak detection programs. Most of these tools have widespread applicability so that the initial investment in the tool, process, or program can be repaid many times over through multiple uses in rural communities across America.

**Operator Training**

This is a specific training issue that I wanted to briefly address as it impacts all small systems. All water operators must receive training and pass certification exams in order to operate public water systems. Continuing training is required in order to keep

operator licenses current. For small systems, paying for this training and allowing the operator to leave the utility site is problematic. As a result of the 1996 Amendments to the SDWA the Operator Certification Expense Reimbursement Grant Program was created to fund training needs for systems of fewer than 3,300 populations. Funding for this program expired several years ago. RCAP would recommend that consideration be made to reauthorizing a similar program that would assist small systems in operator certification requirements. Any renewal of this program should emphasize on-site, hands-on and experiential training that is most needed and most effective for small water system operators.

**The Water Infrastructure Finance and Innovation Act (WIFIA) and Other Options**  
**WIFIA**

WIFIA was included as part of last year's Water Resources Development Act (WRDA), as a means to provide an alternative funding source for water infrastructure. RCAP is concerned that WIFIA could have a detrimental impact on the State Revolving Funds (SRFs) if states are allowed to divert SRF funds to meet WIFIA's 49% non-federal matching requirement. WIFIA must not impair the ability of the SRFs to provide critical support that our nation's rural water and wastewater systems need. As mentioned earlier, due to their small customer bases and difficulty in accessing the bond market, these rural systems rely on the availability of SRF funds to fund the upgrades necessary to comply with the requirements of the Safe Drinking Water Act and Clean Water Act. It is therefore imperative that WIFIA be implemented in a manner that does not infringe upon the SRFs, and that ensures that rural communities are able to meet their obligations to provide their residents with safe drinking water and sanitary wastewater services.

WIFIA's authorization language is unambiguous: Congress clearly intended to have WIFIA serve as an additional tool for water infrastructure financing, and not as a replacement for the SRFs. The Senate Environment and Public Works Committee's report states that WIFIA "offers the sponsors of these water infrastructure projects a new tool to...stimulate additional investment in our Nation's water resources infrastructure" (Senate Report 113-13, emphasis added). Further, WRRDA §5028(a)(6) requires EPA to notify the applicable SRF when a WIFIA application is received, and gives the SRF the right of first refusal. Together, these provisions clearly demonstrate that Congress intended for WIFIA to supplement, not to replace, the SRFs. Even WIFIA's proponents never advocated for WIFIA to be a substitute for the SRFs. Mr. Matthew Millea, testifying before the Interior, Environment, and Related Agencies Subcommittee of the House Appropriations Committee on behalf of the Water Environment Federation said "WIFIA must be designed to complement—not replace—the SRFs." Mr. David Weihrauch, testifying before the Water Resources and Environment Subcommittee of the House Transportation and Infrastructure Committee on behalf of the American Water Works Association said "WIFIA is designed to supplement the SRF by addressing needs that are not well addressed, if at all, by the SRFs." Taking money out of the SRFs to pay for WIFIA projects would therefore contradict the clear intent of the authorizing legislation.

Among the statutory objectives of the Safe Drinking Water Act provisions creating the Drinking Water SRFs is that the funds "assist systems most in need on a per household basis according to State affordability criteria." The systems that are most in need on a per household basis are most often small, rural systems. Many factors

contribute to this reality, including persistent rural poverty, limited water resource availability, lack of population density (requiring longer segments of pipe between connections), and lack of economies of scale. In addition, most rural systems, unlike their urban and suburban counterparts, are unable to obtain credit ratings necessary to access the municipal bond market, thereby eliminating one potential source of affordable financing. As noted earlier, a recent Johnson Foundation study estimated that only 2.8-3.8% of water systems are large enough to issue their own bonds. These factors and others create severe affordability challenges in rural areas that the SRFs help to address. The WIFIA program, by its very nature, exists to serve large-scale projects that can attract private investment. In order to attract private capital, the projects are likely to serve more affluent areas and areas with large numbers of ratepayers because those areas are considered to be less of a credit risk. By definition, however, those areas are also those that have the fewest affordability concerns (more ability to repay equals less credit risk). Using SRF funds for WIFIA projects would therefore subvert the intent of the SRFs by taking funding from those communities that most need it to provide affordable services and diverting it to those who least need the assistance. This is consistent with neither the statutory objectives of the organic statutes that created the SRFs nor the clear Congressional intent to have WIFIA serve as an additional tool to attract new investment to water and wastewater infrastructure.

As such, WIFIA should be implemented in a way that compliments the SRFs by providing an additional funding mechanism for those communities that do not have affordability issues and are able to attract private investment, as envisioned by the law's proponents. The focus of WIFIA should be to attract additional investment to our nation's



water and wastewater infrastructure, not reallocate the limited existing funds that help make compliance with federal and state regulations affordable for many smaller systems. The SRFs are effective programs that have a proven record of success. They have provided billions of dollars in affordable financing for communities that could not otherwise afford the costs of compliance with water and wastewater regulations. They are essential tools in the protection of public health and the environment in rural areas and should not be undermined by the implementation of WIFIA.

#### **Drinking Water SRF**

Application requirements should be simplified for small communities seeking to be listed on the state's Intended Use Plan in order to minimize costs to the community and to allow them to be considered for funding. States could require just a simple statement of water deficiencies, a reasonable proposal to correct them and a practical estimate of costs. Along with data already collected by the state, especially regarding water quality issues, the state should be able to properly list in a prioritized manner those small systems eligible for SRF funding. More detailed information could be obtained after a community has been approved for the intended use plan. In addition, once a small community project is set for inclusion on the Intended Use Plan, the state should provide small communities with technical assistance to work through the complete application process. USDA offers technical assistance for this purpose resulting in an increased ability for small systems to meet application requirements in a timely manner.

The SDWA permits states to set aside 15 percent of the DWSRF to finance projects in small communities. As has been reported the unmet needs of small communities are great and financing unavailable. Congress should consider a

requirement that 25% (or more) of the DWSRF must be set aside for use by small communities.

A portion of the DWSRF should be dedicated to providing capitalization grants to qualified nationwide nonprofit intermediaries to establish revolving loan funds to help small communities finance pre-development costs and system repairs up to \$150,000. While small communities may receive reimbursement for pre-development costs once SRF finances a project, they often do not have the resources to undertake these activities. A program that provides assistance for activities such as preliminary engineering studies or site acquisition would reduce this barrier to funding. A similar financing gap exists for small repairs needed by rural water systems. As a result of high transaction costs most state SRF programs do not accept (or will not end up funding) applications for projects under \$200,000. Small utilities typically do not have the credit history to access these funds from local financial institutions. Currently, a USDA program allows for a small amount of their funds to be used to capitalize such revolving loan funds, currently \$1 million a year. Both RCAP and NRWA operate their own revolving loan funds, but need additional capitalization to meet the tremendous need from small communities for this type of alternative funding arrangement.

#### **Common Application Requirements**

While some states have established uniform application requirements more work is needed in order to standardize applications for federal funding assistance. USDA and EPA have worked together to establish common requirements for preliminary engineering reports. This was an important first step, however, environmental reviews and other federal requirement should be common to all drinking water applications so

that small systems are not required to understand and comply with different requirements from federal funders.

**Final Thought**

There has been a considerable amount of time and effort expended to develop and enact the WIFIA program. While this program can be effective in providing additional financial resources to large water systems, its ability to do so for small systems is highly problematic. What is needed is an approach that targets the capital and financing needs of small communities. This could come from changes made to existing programs, additional funding for these existing programs or even consideration of new programs such as a Water Trust Fund similar to that in place for transportation. What is certain is that small utilities are undercapitalized, struggle to meet the costs of new regulations, and suffer from diseconomies of scale. Small water systems pride themselves on being self-sufficient, a reflection of American values still dominant in rural America. However, as summarized in this discussion, there are many approaches that can be taken to provide support and assistance to these small water utilities; community based, community operated, managed and governed organizations that are an indispensable foundation to rural life and the rural economy so crucial for America.

Mr. SHIMKUS. Thank you very much.

And I will recognize myself 5 minutes for the starting of the questioning.

And just before I start, I am in my 19th year. My first district was 19 counties. My second Congressional district was 30 counties, and now I represent 33 counties out of 102.

So we have really been able to access and use the USDA rural development and rural water, and it has really helped and kind of forced a push to regionalism and kind of closing the gaps of water or addressing the challenges that small communities have because they just—in rural America sometimes these communities are shrinking. I mean, they are not growing. They are shrinking. So their base to keep up, especially with new capital expenses. So that is—in my area it has been a very, very successful program, and I just throw that out because I have great people work on that, and they have done great work.

I would like to go to Mr. Gomez first, and you have heard some of our witnesses claiming that the drinking water State Revolving Funds are not being made available to provide safe drinking water to the needs of our most needy communities.

Is there a way to measure across the country whether the drinking water State Revolving Fund is meeting its Congressionally intended purpose or authorized purpose?

Mr. GOMEZ. So that is a really good question. What we are aware of is that the drinking water SRFs are required to provide 15 percent of the funds to the small communities. Now, the extent to which States are doing exactly what you are asking, we don't know yet. I mean, that would be a good question possibly for GAO to look at.

There are estimates from EPA, for example, that about 38 percent of the drinking water SRFs have gone to small communities as of 2008. So that is the estimate that is out there, but to the extent that it is meeting small communities' needs, we don't know that.

Mr. SHIMKUS. Great. Well, thank you.

Are there any reports that show how fast this drinking water funding is spent, by whom, and where it goes, including distribution to the neediest communities?

Mr. GOMEZ. So one of the things that we are doing at the moment is we do have ongoing work looking at the financial sustainability of the drinking water SRF, and so there we are looking at different ways in which States are managing these SRFs, and we are hoping to identify best practices that States are using. That report should be coming out this spring.

Mr. SHIMKUS. Great. Thank you.

Mr. Stewart, in your testimony you state that EPA State Revolving Fund needs to be, and I am quoting, "better managed to meet small system needs."

Can you elaborate a little bit more on that?

Mr. STEWART. Yes. What I would say, when you look at the numbers, EPA has a difference in between the number of loans they are making and the amount of the loans they are making, you know, and so the amount of the loans is not sort of the same as the number, and there is not as much actual money that is going into there.

Now, the whole purpose of the SRF was to give the States the latitude to run it how they see fit, and I think most of the members of this committee would sort of agree with that because the conditions are different from State to State, but I would think there is some minimum requirements if we are looking at the high non-compliance rates of utilities, the problems with affordability, the problems with small customer bases that, you know, just some great emphasis needs to be paid to providing more funding for these disadvantaged and smaller communities.

And, you know, some States, they are really good. My home State of Texas has a lot of money now that they are putting into water problems as a result of droughts. California has done the same thing. So each State runs a different—a lot of States put extra money in. Some States don't, you know, but I think it is good, and I think GAO has done a terrific job of looking at some of these issues, and I would encourage them to continue to do so.

Mr. SHIMKUS. Thank you.

My last question for Mayor Keegan, Mr. Newman, and Mr. Selman, can you just give us briefly your success on the State Revolving Fund versus the RUS, or do you access that? And why don't we go with Mr. Keegan first and—

Mr. KEEGAN. Sure. We haven't had very much success. We have had some limitations due to the average income of our community. We have been told it has been too high and our average bill doesn't meet the minimum to qualify for the funding. We have hired two—we have paid two separate consulting firms to search out funds for us, and both reported the same thing.

Mr. SHIMKUS. Thank you.

Mr. Newman?

Mr. NEWMAN. Thank you, Mr. Chairman.

In my experience, one of the issues with the SRF as compared to the rural development has been the paperwork is considered to be cumbersome, and the added administrative cost in applying often nullifies the low interest which in turn makes the SRF an option of last resort, which I don't believe was the intended purpose.

Mr. SHIMKUS. Mr. Selman?

Mr. SELMAN. Yes. Some of my systems I help we have used SRF. We are drilling a well right now at one of the systems because it depends on what area you are in the State, but we were having trouble through Rural Development getting on a timely process of getting the money to drill this well and it was needed.

The Town of Monticello we got a State Revolving Fund grant for a sewer project right now that we just completed. So in our district, in our part of the State, you know, we have used it and it has helped, but the USDA seems to be more with the grants. Some communities can't afford that much of a loan, and the grant helps them that much more over the USDA money.

Mr. SHIMKUS. My time is expired, and I know Mr. Stewart wanted to answer, but I need to go to Mr. Tonko who is recognized for 5 minutes.

Mr. TONKO. Thank you again, Chair Shimkus, for calling this hearing and for inviting the witness from 20th District of New York. Mayor Keegan, I appreciate you making the trip here today.

Drinking water systems in the district of that I represent, and I think every district across the country, are facing significant challenges as they work to ensure that everyone, including people in small and rural communities, have access to safe water. That is why I introduced the Aqua Act last Congress to improve all of the tools EPA currently has to assist these systems.

I appreciate the work that my colleague Mr. Harper from Mississippi has done on these issues, and I look forward to working with him to get at least some of these changes into law. It seems that every week in my district there is another water main break. Treated water and the money we have invested is being wasted. So it is dollars and water flowing out of those pipes.

Mayor Keegan, can you describe some of the issues you have had in your town with water main breaks and the obstacles you face in preventing these ruptures?

Mr. KEEGAN. Well, we don't really—with the recent frost that—when we have a water main break it doesn't always just pop up through the pavement because the ground is so frozen. So we don't often know where the break is, and we don't have the tools or equipment to locate the break. So we have to either call a consulting firm, and that could be \$1,500 a day to come with special tools, or we call the New York Rural Water Association. If they are available they will come. So that is—it is very difficult. We don't always know where the breaks are located.

Mr. TONKO. Thank you.

And, you know, this is such a serious issue and one that will require more significant infrastructure financing, including that investment in technology, not just technical assistance.

Mr. GOMEZ, GAO has studied the range of Government programs that provide assistance to rural and small water systems as well as the need the systems face.

What is the funding gap for water infrastructure? I know earlier you gave a combined total, I believe, for water and—drinking water and sewer. What is the funding for the drinking water infrastructure and how much money does it entail?

Mr. GOMEZ. So EPA has estimated the funding gap, and they have estimated it to be \$662 billion. That is an estimate from 2002, and that estimate is based on the next 20 years.

Mr. TONKO. Thank you. And, obviously, the water systems represented on this panel I would think agree that more resources are required.

So Mayor Keegan, do you support legislation to reauthorize the SRF and increase the funding available? You know, you mentioned in your testimony the need for grants, not just loans, and I think many of you mentioned that. Is it fair to say that your village has reached the limit of its ability to borrow more for the needed funds?

Mr. KEEGAN. Oh, absolutely. We really just can't even entertain a municipal bond at this time, and right now we are only spending our budget items on repairs. We don't have enough money in our budget for replacement of old infrastructure. So we are looking for funding, but it has just been a struggle to find any that—

Mr. TONKO. And I assume the SRF is also a favorable thing for you?

Mr. KEEGAN. Yes. Absolutely. We encourage the refunding of that.

Mr. TONKO. And do you also support efforts to expand technical assistance initiatives like the Aqua Act?

Mr. KEEGAN. Absolutely. Yes. We call on lots of different—any technical assistance that can be provided to us is really of value.

Mr. TONKO. And to the other gentlemen on the panel, any responses in terms of technical assistance and the relevant role it might play?

Mr. NEWMAN. In my experience, technical assistance is absolutely essential in complying with the various rules and regulations of the EPA, particularly because many of these rules are often complex and require innovative approaches. So the training and technical assistance that is provided, for example, by our State rural water associations is indeed an essential component of compliance.

Mr. TONKO. And the other gentlemen in terms of technical assistance funding and the SRF?

Mr. SELMAN. Very essential. We have—you know, we get mayors and water board managers and whatever and they need all the training they can get. You know, the secretaries, the rural water puts on a training for them. They certify them. Every bit of assistance we can get is very well needed.

Mr. TONKO. And Mr. Stewart?

Mr. STEWART. Yes, sir. The one point I would like to make, technical assistance is important also because we need to ensure the investment that the Federal Government is making through EPA and Rural Development, and that technical assistance allows people to go out and work with these communities and make sure that those loans are going to be repaid, and also to implement like asset management programs so that the infrastructure and the materials that the utility has is going to be maintained in top operating condition and so we don't have to go back repeatedly necessarily to replace things that could have been maintained to start with.

Mr. TONKO. Right. Well, the Aqua Act that I introduced would cover some of these costs.

So I appreciate your comments, and with that I yield back.

Mr. SHIMKUS. Gentleman yields back his time.

The Chair now recognizes the vice chair of the subcommittee, Mr. Harper, for 5 minutes.

Mr. HARPER. Thank you, Mr. Chairman, and I can think of few topics more important across the country in every Congressional district than the one we are on today, and so thanks to each of our guests who are giving testimony today, and also welcome, Mayor Hill, and also, you know, just to have each of you here is something that we greatly appreciate, and my dear friend Kirby Mayfield who is here who is CEO of the Mississippi Rural Water Association who has been a great contact and person sharing information with us. So we are thankful for that.

If I could, Mr. Newman, ask you, in your testimony you talked about the trust relationship that small communities have with circuit riders. As we continue discussing this issue of how EPA could and should help our small communities comply with Federal regulations, among other things, would you please take a minute and

elaborate on the importance of that trust relationship that our water systems have with our circuit riders?

Mr. NEWMAN. Yes, sir. The relationships that have been established over the years between the rural water associations and the utility managers, the certified water operators, mayors, and small town council has been well established over many years. Prime example, just last evening a small community in Mississippi, their water well was down due to snow and it lost power for a significant period of time, and the mayor—of course, customers were calling. It was developing into quite a situation.

The mayor contacted me, and I immediately contacted the Mississippi Rural Water Association, and they in turn immediately began locating a generator for that town, and, thankfully, were able to get that generator delivered to resolve that situation.

So, in essence, the experience is if you have got a problem and you don't know what to do, then you call the Mississippi Rural Water Association, and they are there every time to provide the needed assistance.

Mr. HARPER. And I am also glad you explained to some of our folks, some of our members, that we actually have snow in Mississippi. So that was a surprise to, I think, some.

Mr. NEWMAN. Yes, sir.

Mr. HARPER. And Mr. Selman, thank you so much for your kind words and your testimony, and I look forward to visiting with the Double Ponds Water Association folks next month in DC.

Mr. SELMAN. Thank you.

Mr. HARPER. You talked about Hurricane Katrina which impacted our State and Louisiana greatly. It was the greatest most costly natural disaster ever in our State's history, and you mentioned two water systems in Simpson County, in my district, and the assistance they received after Katrina.

Would you talk for a minute about some of the tools circuit riders have at their disposal that small water systems often don't have or have other access to. I think you mentioned radar equipment. How important are these tools to the survival of our smaller water systems?

Mr. SELMAN. Yes. Very important.

Before Katrina, we hadn't had a natural disaster in south Mississippi like that since Camille. I reckon 1969, but we were without power, and we are about 120 miles from the coast, and we were without power about 20 days, 19, 20 days, and at that time some of the water systems had started putting in generators, very few, but some had, and, you know, we—like I said in the testimony, you can make it without power for a while, rig up your generator to get the TV on or something, but without water, you can't make it, and we immediately called our circuit riders. They found generators in Arkansas, north Mississippi, wherever they could get them, brought them to us, helped us get them hooked up, and we got water flowing again. Same way with the wastewater. We had some lift stations that you have to pump wastewater that we hooked into those wastewater stations and got water to the lagoon or the treatment plant.

The ground-penetrating radar you mention, they keep one of those. Anytime we need to locate a line—a lot of these old lines



were put in are growing up in trees now. You can't—you don't know exactly where the line is. They come out there with this machine and locate that line for us and help us tap it, help us do whatever we need, and that machine is about \$35,000, and, you know, most of these little systems don't have the money for that. So what we do, we call Rural Water and they help us in whatever needs we need.

Mr. HARPER. That is great. Well, thanks to each of you and great to have all of you here, and thank you for that, and also want to specifically thank Ranking Member Tonko for his assistance as we try to work through these important issues.

Thank you.

Mr. SHIMKUS. Gentleman yields back his time.

Chair now recognizes the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman for—both you and Ranking Member Tonko for holding the hearing on the drinking water needs of smaller communities.

I represent a very urban district in unincorporated and incorporated Houston, Texas, and we have some of the same problems in our suburban areas that will not be annexed by our cities because the property tax could never cover the cost, and yet they are literally south of Intercontinental Airport in Houston and areas in that district, and over the years in Texas, we have received money from the State Revolving Fund. In fact, partnered with using it in some of these communities to provide fresh water but also partnering with the county because—for sewer service.

But it bothered me that last year Texas received the lowest amount of money from the State Revolving Fund of \$53 million, and that goes back to 1997, and that is not anywhere nearly accounting for inflation. The fact is deeply troubling because of the significance in growing drinking water infrastructure needs of Texas in general, and, like I said, a very urban district. If it is in the city, they will get—they will do it, but this area is not attractive to be annexed, and it is very poor communities, and that is where we need the help. Their septic tanks fill, and, again, a very urban area and very shallow water wells. That is why this hearing is important.

My first question is, Mr. Newman, Mr. Selman, and Mr. Stewart, do you believe that the Congress should reauthorize the drinking water State Revolving Fund this year?

Mr. STEWART. I will be glad to start off. Yes. I think—

Mr. GREEN. I mean, it seems like an easy one—

Mr. STEWART. Yes, sir. Exactly. It is one of the most important funding mechanisms within this country to fund water systems.

Mr. GREEN. For the other three gentlemen, do all of you all agree we ought to reauthorize it?

Mr. SELMAN. Yes, sir.

Mr. NEWMAN. Yes, sir.

Mr. GREEN. OK. Do you believe Congress should increase the funding provided to States and local communities through the drinking—through drinking water for State Revolving Fund? Raise the authorization for it?

Now, I will explain to folks, authorization is we have that, but, you know, you can raise the authorization as high as you want, you still have to go back every year and beg the Appropriations Committee for the money.

Mr. SHIMKUS. Yes. If I may interrupt—he is saying, do you think that the authorization amount should be raised across the country? That is the—

Mr. GREEN. If we get asked for appropriations—

Mr. SHIMKUS. If we reauthorize—

Mr. GREEN. Do you think there are water needs around the country, not only in your States, but others?

Mr. SELMAN. Yes, sir.

Mr. STEWART. Well, my opinion is, this is an investment. This is to capitalize the revolving funds that the States have. So this is not money that is just going away in grants. This is to capitalize money that can be revolved again and again for use of communities large and small.

Mr. GREEN. But should the fund be raised so we can cover more communities?

Mr. KEEGAN. Absolutely.

Mr. GREEN. Mr. Newman?

Mr. NEWMAN. Absolutely. Yes.

I would also like to add that in addition to raising the funding to cover more communities, take a look at the process and make sure that the money is being utilized by the communities that it was intended to be beneficial for.

Mr. GREEN. You think there is something in the authorizing law that we need to change that would make that happen?

Mr. NEWMAN. I am not so sure about the process of the authorization of the law as I am concerned about just the implementation of the funds and those things that discourage the smaller communities, you know, in Mississippi that I am familiar with from pursuing those funds because these funds were intended to benefit these small communities, and there is a gap, and I think that we all need to just figure out how to bridge that gap.

Mr. GREEN. You know, the biggest problem we have in my area is that these are very poor communities and to have a revolving fund and have it paid back, they could hardly afford the monthly water bill and sewer bill to be able to pay it back. So there is—that is the issue, again, in my area, and I assume it is in north Mississippi just like it is in other parts of rural Texas.

Mr. Stewart, you indicated you worked two decades on drinking water issues, and we have had—I used—the last few years our rain stopped at the Louisiana border, because from Beaumont, Texas all the way out west it has been drought. Not as much in the last year, though. We have had good rain in the Houston area, in southeast Texas, and all the way to Rio Grande Valley, but we still have problems out past San Antonio because that is still in a drought area.

How would you describe our current state of drinking water infrastructure in Texas?

Mr. STEWART. I would say for the most part it is pretty strong, but I think there are certain disadvantaged communities like you are talking about that I really think need some additional re-

sources, and there is some hard-hit drought areas in north central Texas of my area of central Texas that I think just need some support, and fortunately we have—and Texas has benefitted because we have river authorities, we have a progressive water development board. We have people that are looking at this issue from a lot of different angles.

Mr. GREEN. Well, and Texas did provide recently the voters, voted for a constitutional amendment to provide for it because of the problems we have.

In 2011 Harris County, as much of our State was in the grips of the drought, during the height of the drought, due to aging water lines, hardening soil, hundreds of water line breakage daily, resulting in billions of gallons of lost treated water, Mr. Stewart, do you have any sense of the economic impact of the 2011 drought had on our State?

Mr. STEWART. That is something the GAO might be better to answer, but I know it has been severe economic impact. Because if you don't have the water sources, you are not going to be able to support the businesses, the growth that is occurring all over Texas. Water is just the foundation of all the economy in this country.

Mr. GREEN. I know I am over time.

Thank you. I am sorry.

Mr. SHIMKUS. Way over time.

Mr. GREEN. We talk a little slower.

Mr. SHIMKUS. I thank my colleague.

Chair now recognizes the gentleman from Pennsylvania, Mr. Murphy, for 5 minutes.

Mr. MURPHY. Thank you all. I will talk a little fast. See what I can get in.

This is for Mr. Selman or Mr. Newman, and thank you all for being here. Very informative panel.

Engineers who serve in some of these rural water systems in my district, for example, in Greene County in my southwestern Pennsylvania, very rural area, but they tell me that States oftentimes impose their own drinking water requirements which are far more strict than the EPA standards set forth in the Drinking Water Act.

Could you please provide some examples for me where some of these State-imposed requirements that you have seen in your community or communities go beyond or differ from the EPA standards?

Mr. NEWMAN. In Mississippi, and Mr. Selman can elaborate on this or correct me if I am wrong, but I believe in Mississippi that our State regulations are exactly the same as the Federal guidelines, being no more or no less stringent than the language in the Federal act.

Mr. MURPHY. Same for you, Mr. Selman?

Mr. SELMAN. Yes, that is correct.

Mr. MURPHY. And does anybody else see differences in their communities?

Mr. SELMAN. No. That's correct. I don't think our regulations could be any more stringent than what the Federal act has written. That is the way the State of Mississippi does.

Mr. MURPHY. Mr. Stewart?

Mr. STEWART. I guess, sir, I might note that some States—EPA regulates water quality. They don't regulate capacity requirements, and some States require that you have a certain well production, a surface water treatment plant, storage and pumping capacities. In a lot of cases, those adversely affect small communities because they are not really. You know, they are not engineerily—they are not on an engineering basis justified on the basis of how much water is being used.

Mr. MURPHY. So, for example, in my Greene County area where they are dealing with things like small dam or water line extensions, not necessarily water quality, but that has to do with water delivery. Is that what you are saying is that—

Mr. STEWART. Exactly. The capacity requirements, whether—again, pumping or storage, you know, elevated ground storage tanks, sometimes those capacity requirements are a little bit higher than I think would—to what is needed to protect public health.

Mr. MURPHY. Well, what this gets into—well, let me come back to that.

So how much could the heightened standards cost rural drinking water systems, though, if we make some changes in here? Will it affect—I mean, I heard some of you alluding to cost issues here. Mr. Keegan, you talked about consulting an engineer and what those costs are. What does this vary for communities, rural communities? Anybody have any estimates here of that cost that you would bear?

Mr. KEEGAN. Probably save us on all the consulting fees that we spend looking for funding.

Mr. MURPHY. Anybody else have any thought about this?

Mr. STEWART. Well, I would just say it depends on the requirement. You know, if you are having to treat for arsenic, then you are probably talking a doubling or tripling of the water bill for a small community.

So it just depends on what kind of treatment that—what kind of constituent that EPA is requiring the small community to treat for.

Mr. MURPHY. So the question I have, and I know you talked about some of these things, but how do rural systems get the funds they need to deal with this compliance issue? Any of you have any thoughts on this of what we do? I mean, I heard one comment, could the Federal Government send more money, and certainly where the Federal Government increases or changes standards, I sometimes think it is unfair to say: You now must do all these things, and you must bear the cost, but it comes down to a question, though, of what else—I mean, how are these costs borne oftentimes when you may have someone who lives a mile from the next person or a half mile from the next person and there is huge costs associated with this.

Anybody have any comments on how that should be set up?

Mr. KEEGAN. We just raise our rates. We just had the—the DEC required our local school district to be on municipal water, and they passed a bond. So they passed that price on to the taxpayers, you know, to hook into the system at quite considerable expense, and—

Mr. MURPHY. What kind of percentage increase would you say that was?

Mr. KEEGAN. I am not sure.

Mr. MURPHY. Anybody else have any other thoughts other than put it on the ratepayers?

Mr. SELMAN. Raising rates is the only way that small communities like I work for, that is the only—only option they have, and, you know, in the 10 to 20 percent range sometime.

Mr. MURPHY. And we have these grant systems. I know that some of my communities are asking for some changes in the way that the loans are established, rates, et cetera. Any comments on those?

Mr. KEEGAN. The paperwork is quite cumbersome, and, you know, usually we have to hire a consulting firm to help us apply for the loan.

Mr. MURPHY. Can you elaborate on that cumbersomeness, what kind of hours and time that adds to your cost?

Mr. KEEGAN. We just aren't—we just don't have the staff who can understand, you know, what is required in the paperwork. We give them the, you know, the data, how much water we use every day and that kind of thing.

Mr. MURPHY. So is it safe to say that simplifying paperwork and if you are going to be giving—required to have lots of paperwork to also provide some assistance in filling that out of some sort?

Mr. KEEGAN. Absolutely. Yes.

Mr. MURPHY. Thank you so much.

Mr. SHIMKUS. For the second time, I am going to try to be quicker on the gavel so everyone gets a chance for—

Mr. Latta is recognized for 5 minutes.

Mr. LATTA. Well, thank you, Mr. Chairman, and to our panel, thank you very much for being here.

This kind of strikes home to me because as a county commissioner in Wood County—and from Wood County in Ohio for 6 years and handled a lot of water and sewer issues, and also we created a regional water and sewer district when I was the commissioner to put things together because my home county was over 600 square miles. We had all or part of five cities, 21 villages, 19 townships and a lot of unincorporated area.

And it is important to—and hearing all of you brings back memories of over 20 years ago that I used to sit in a lot of meetings and hear people talk about because they are really very important issues. In Ohio alone, I think we have got about \$21 billion right now that we are looking at that we need in infrastructure improvements from water to wastewater and storm water, and so what you are saying here today is very, very important, and really appreciate you being here because I can commiserate with what you have all said, and I have also been working on legislation for at least one session to try to help on the wastewater side to help rural communities.

But if I could, because I take it you all had very good testimony today, and again—and appreciate you being here, and if I could start with Mr. Gomez, you know, you—I think it is important because one of the things that we have been hearing out here is there is a shortage of dollars out there that we have, especially—and when you are talking about our rural areas.

Could you discuss the relationship between the EPA and USDA programs and whether they are—you know, there are overlaps out there and what about the efficiencies or synergies that could occur if we were really looking at these programs and make sure that we didn't have duplication out there or anything like that.

Mr. GOMEZ. Sure. Thank you.

So we have looked at those two programs in particular, and also at the other agencies that have programs that help our rural communities.

With respect to the USDA rural utility service and the EPA drinking water SRF, they are—they do have some similar programs. We did not find any areas where they were duplicating effort, meaning that they were funding the same project for the same purpose. Projects can get funding from both programs, but they are usually focusing on different areas.

Now, the other thing that we have reported on is the importance for those two agencies to work together to collaborate, but also to encourage the State SRF programs to work closely with the USDA rural utility service so that they can get efficiencies.

You know, one of the recommendations we made was that they needed to come up with a uniform preliminary engineering report so that communities aren't filing multiple engineering reports, which cost money, and so those are things that we are tracking. We were happy to hear that they have come up with the uniform preliminary engineering report and that some States have already adopted it.

So we think those are places where if by working together they can better target the monies.

Mr. LATTA. Thank you.

This is for Mr. Stewart and Mr. Newman because you both kind of touched on it. In your testimony you had mentioned, Mr. Stewart, about bringing the tools back to the community and the cost of that technical assistance because I know what that would cost, and, you know, what do you find? Are the tools there, are they readily available? Because I know we heard from some other of the Members asking the panel about the cost, but, you know, do you find that you have that assistance out there to be able to get that as soon as you can get it?

Mr. STEWART. Both RCAP and Rural Water have a variety of tools that we bring to bear with small communities. So they are readily available, I think, and EPA and RD are working on different tools. I think I have touched on them in my testimony. I think it is the access to those tools that—that is needed. We need the technical assistance to bring those tools, you know, whether it is an asset management program, whether it is a financial management program, whether it is an O&M manuals. Whatever those tools might be, the real expense is not just creating the tools, it is bringing it out to the small communities that can't access them unless you have a technical assistance provider out there working with them.

Mr. LATTA. Thank you.

Mr. Newman, would you like to touch on that about that assistance out there in the communities?

Mr. NEWMAN. Well, to reiterate the comments that I have made, as well as Mr. Stewart, from the perspective of the water system manager, then the resources, the assistance is invaluable because there are very varied issues that occur across a water system or a wastewater system that may be beyond the scope of that particular utility and beyond the financial capabilities. So utilizing the services of the Rural Water Association is absolutely essential.

Mr. LATTA. OK. Thank you.

Mr. SHIMKUS. The gentleman's time is expired.

The Chair now recognizes the gentleman from West Virginia.

Mr. MCKINLEY. Thank you, Mr. Chairman.

Going to go in several directions with this, but I have got—we have all heard a lot of horror stories, and I have got mine in my district. I have got a little town in West Virginia. I think we have got a slide, perhaps, of a water line that they are—they have been facing—could we get that up? There it is.

It shows how just colluded the line is, that they can't—they have applied—however, knowing this, they have applied 10 times to try to get money, and they have been rejected 10 times since 2002. It just isn't—people—we just don't have the money in the SRF, and what I was particularly pleased about was the President this year actually maintained the—for the most part, the funding from the previous year as compared to what we have seen in the past where the year before he made a 40 percent reduction in the SRF because they said the priority was climate change, and we have heard that mentioned from the other side of the aisle. They thought climate change was a higher priority than funding our water problems in rural America.

I have got—I am curious. So I hope we—I hope someone has seen the light with that, but the—I am confused a little bit about the regulatory burden because it—particularly a lot of you have been talking—this hearing is about rural America, not what has been offered is we got to be concerned about the big cities.

I am worried at this hearing that we stay focused on rural America because here is just a listing of some of the rules—I don't know whether these people—I have designed a lot of sewer and water lines.

So as an engineer I am quite familiar with this, but we have got things that a small city has to take care of is the arsenic rule, the chemical rule, lead and copper rules, the uranium rule, the Federal backwash rule, the groundwater rule, the enhanced surface water rule, the cert, both I and II, the disinfect byproduct rule, 1 and 2, the surface water rule, total coal—I could go on and on.

These are rules that small cities have to deal with just as well as a larger community of 100,000 or 200,000. So my—and I have got three other communities that they are just trying to find money for operations, let alone install—this one community is—they are working on—like, one of you said up there, a 19th century system. They are trying to replace it with that water line right there.

How can we get money for operations? Because we have got one community in West Virginia—they are dumping raw sewage into the Potomac River because they don't have money to be able to do their maintenance work that they have to do. We have got others that—I got another community, they are getting their water

through water buffaloes pouring into a cistern so that they have some water with that——

This is 2015 in America, but yet we have an administration that until this year every year for the last 3 years has been reducing money to the SRF. What are we failing—how are we failing our country when we don't put enough money into the SRF? How do—because that is what I have heard many of you say, we need to put more money into that program. What do we have to do? How much more money?

Can any of you suggest where we have to go with that? And I would also add, should we be prioritizing the SRF money for rural communities so that we are weighting them a little more heavily than the big cities? Mr. Stewart, does——

Mr. STEWART. Well, sir, you are preaching to the choir here. I mean, I think all of us would agree that a significantly greater percentage of the SRF money should go to small communities, and they should be able to access it easier.

One thing I would like to say real quickly is you can't even have a chance of getting the SRF money unless you get on the Intended Use Plan, and for a small community, how do you get on the Intended Use Plan? I mean, you know, the—all of us can tell you that is difficult to do.

I mean, do you have the technical assistance? Do you have an engineer you are working with? Somebody that is going to submit the paperwork so you even have a chance to get on the money? And that is a problem. That is one thing I said in my testimony. We need some assistance just so these small communities could get on the Intended Use Plan, which is what they do to prioritize money into the SRF.

Mr. MCKINLEY. How can we weight—what are some—what would be some factors or—that we might be able to weight so that a small community putting in will be given better consideration than a larger communities? Any of your thoughts? Mr. Gomez?

Mr. GOMEZ. Well, generally, what GAO always recommends is that you target Federal funds to those communities most in need, and so if these are in communities, that is where the—that is one of the areas that we could target.

Mr. MCKINLEY. OK. Well, I guess we are running out of time, but, again, Mr. Chairman, thank you very much for bringing this up.

I hope we continue to—this is a—for small cities. The big cities have their own issues, but they have the resources and the critical mass to be able to take care of—our small towns of 400, 500 people, we are struggling. We better find it.

Thank you very much.

Mr. SHIMKUS. I thank my colleague.

The Chair now recognizes the gentleman from Ohio, Mr. Johnson, for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman.

I represent Appalachian, Ohio, and I don't have to tell you folks probably how rural that is. I hear the horror stories, many of which you have just heard. I could cite similar cases that my colleague from West Virginia, Mr. McKinley did.



Mr. Selman, long before I was elected to Congress, I served 26 years in the Air Force, and I was stationed in Columbus, Mississippi, and you know how rural that area is. So I have seen this for a long time.

Mr. Gomez, does the GAO track and can you tell us in regards to all urban and rural systems how many municipalities have their systems charge the true cost of providing water to their customers? In other words, how many of them are operating in the red?

Mr. GOMEZ. That is a really good question, and it is always one area that is debatable, right, whether people are actually paying the true price of what the water costs. I don't believe that we have done work on that. But if we have, I would have to get back to you on that.

Mr. JOHNSON. Yes. Would you take a look at that, please. I think the American people would be interested to know how these small rural communities are struggling and many of them are operating in the red, as it stands right now, because their residents can't even afford the cost of providing the water.

Mr. GOMEZ. What I can also say is that EPA has estimated that, for these rural communities, if they have to undertake these water and wastewater infrastructure projects, their rates will likely be four times what the urban rate payer would be paying.

Mr. JOHNSON. Oh, absolutely.

Mr. GOMEZ. So that is not affordable.

Mr. JOHNSON. Yes. And I have got rural areas that are under that exact pressure. They don't have the money. Because of the economy, they don't have the money to comply with the EPA's clean water mandates and system mandates today. And on top of that, they are being leveled with these fines that they also can't pay. So, I mean, it is like trying to get blood out of a turnip. And I know you guys know what a turnip is. So it is tough. It is tough.

Let me ask you a question, Mr. Newman. Your testimony mentions that the town of Como, Mississippi has 2 million in wastewater needs and 1 million in drinking water upgrades that it needs to undertake. What is the annual operating budget of Como?

Mr. NEWMAN. The annual operating budget in the town of Como is approximately 150,000 annually.

Mr. JOHNSON. OK. All right. And what is the average income of Como residents?

Mr. NEWMAN. Per capita, about 21,000.

Mr. JOHNSON. OK. Is raising local water rates a realistic possibility?

Mr. NEWMAN. It is a realistic possibility from a standpoint of operation and maintenance, but not from the standpoint of addressing—

Mr. JOHNSON. Making these upgrades?

Mr. NEWMAN. That is correct, yes.

Mr. JOHNSON. Yes. OK.

And even if you raise the rates operationally and maintenance-wise, would it be enough to cover the cost of providing the service?

Mr. NEWMAN. No.

Mr. JOHNSON. OK. What is their access to or are there limits on other funding sources like commercial lending? Now, that is a dou-

ble-edged question because the question itself kind of says, "Well, why don't you go in debt——"

Mr. NEWMAN. Sure.

Mr. JOHNSON [continuing]. "To provide water?" And that is certainly not a principle that I subscribe to, but are you considering other sources?

Mr. NEWMAN. By and large the primary source is rural development primarily because of the grant component. Other options, as we have discussed, include State Revolving Fund, even commercial lending.

However, as is the case with SRF, commercial lending is 100 percent loan and the interest rates on the commercial loan is typically going to be higher than the SRF.

But at either case, because of the low economies of scale, a community like Como can't afford to borrow the money necessary to make these improvements. They just don't have enough customers over which to spread the cost.

Mr. JOHNSON. OK. All right.

Gentlemen, for Mr. Newman, Mr. Keegan, and Mr. Selman, what challenges do you have in assessing the drinking water State Revolving Funds and how does that compare with accessing rural utility service funding?

Mr. NEWMAN. Well, and I will allow these gentlemen to elaborate. But one of the issues—and, I think, we touched on it as well—you have got more help in applying with RUS as opposed to SRF. The cost of applying for SRF, you may have to utilize services from a consultant which adds to the cost and that is typically not the case with the rural development process.

Mr. JOHNSON. OK. Mr. Selman?

Mr. SELMAN. Yes. Well, we have been able to use some SRF money. Our engineer takes whatever they allow as that consultant amount. You know, whatever they allow for an attorney, for an engineer or whatever, he does the paperwork for whatever that is. And they have got that specified in the loan.

Mr. JOHNSON. OK.

Mr. SELMAN. And we have been able to—I know certain regions, maybe not. But we have been able to take advantage of some SRF money. We were having trouble getting money through rural development.

Mr. JOHNSON. Thank you. Mr. Selman. My time has expired.

But, Mr. Keegan, do you want to respond?

Mr. KEEGAN. We have had a lot of trouble just accessing funds from either program. In New York State, a lot of the funding goes to communities that have some sort of citation, some problem with their system. Our engineers work very hard to keep our system smooth running. So we are sort of at the bottom of the pile. So——

Mr. JOHNSON. Thank you very much.

Mr. Chairman, rural America knows hard it is to get blood out of a turnip, and I appreciate you having this hearing so that we can shed some light on how difficult it is to do this.

Thank you very much.

Mr. SHIMKUS. Well, thank you very much.

And I thank my ranking member and my vice chair, who is, you know, trying to lead this charge, too.

Last but not least, Mr. Cramer from a rural State of North Dakota.

So you are recognized for 5 minutes.

Mr. CRAMER. Thank you, Mr. Chairman from Illinois and ranking member from New York, for acknowledging rural America and for reminding us there are other rural places that are better known for their urban centers. It is good to have an alliance.

My colleagues or my constituents with the North Dakota Rural Water Systems Association would be very proud of all of you. You have done a great job today, and I felt right at home even with the unusual accents. But it is a reminder that there are some things we work together on and that are very important.

And I won't—you know, I won't delay except to tell you that we hear a lot—I hear a lot about the circuit rider program from our folks, and I think you raise a very important issue. And I think that it is incumbent upon us now, as policymakers and eventually appropriators, to look for opportunities to prioritize some of the programs you talked about within the context of the entire act. And given the constraints, the financial constraints we have, we do have to be a little bit creative, but certainly we can re-prioritize.

I want to just ask for maybe a little bit of elaboration on one point. I thought the GAO report was fantastic frankly. And I think that it was—it is nice to see the alphabet soup, as my constituents often refer to it, and see that there is both recommendation, findings, and then response by multiple agencies that have a tendency perhaps to create extra burden by virtue of requiring, you know, sort of uniform processes, but not in a uniform way. And so the uniform preliminary engineering report template, I think, is a great tool.

And I think at a time when our constituents really are looking for an efficient, effective Government, this is a good example. And I raise it because I wonder how many more times we could duplicate this throughout the system. One of the frustrations I have seen in the last 2 years here is, not just with EPA and USDA rural developments, certainly, in fact, you know, there are many others have more. I just hope that we could, as a House, as a Congress, and as public officials at every level, look for more of these types of opportunities where the public could go, wow, that makes perfect sense. Because right now they look at it—and I am sure you all do and say, “You mean I have to hire the engineering firm to do the exact same thing all over again for another agency and pay them this same.”

So, I guess, mainly what I want to say is thanks for that. I will want to be monitoring that very carefully to see how it works out, and I know you will as well, Mr. Gomez, because I think therein lies the nuggets of opportunity to demonstrate functionality of Government in a way that people expect of us and that we haven't probably done so well.

Mr. GOMEZ. Thank you. And we are tracking that, by the way. It is part of our tracking that we do every year because we want to make sure that those agencies are making progress and that it is helping the communities that are in need.

Mr. CRAMER. Well, thank you for that. And again thanks to all of you. And I will leave some time on the clock and not—and just thank you for being so patient to hang around with me this long. Thank you. I yield back.

Mr. SHIMKUS. Gentlemen yields back his time.

It looks like we are about gone. Do you have anything else you want to say and take an opportunity?

Mr. TONKO. Thank you, Mr. Chair.

I just want to commend the entire panel. I think what you shared with us is not only great insight, but advocacy for what is a very high priority, and you have done it through that frontline experience. So it provides an extra bit of impact, I think, on the decisions that are made here.

But thank you for reinforcing what we have understood to be a problem. And this is a very high priority problem, I would think, for the country. So thank you very much. And I was impressed by all the statements that you have made and the responses that you have provided.

Mr. SHIMKUS. Yes. I want to thank the ranking member for those comments.

And, again, thank you for being here. I think it is just going to energize us to try to—you know, I have kind of asked Mr. Tonko and Mr. Harper to now get together and try to see where there are similarities and agreements so that we can kind of move forward together.

And you could see where there is a lot of areas in our country that are kind of left behind just because they are small. And it is not a political statement. It is just the nature of our country.

So I really appreciated the involvement of my colleagues, too. So thank you.

I need some business to do. I ask unanimous consent that all subcommittee members have 5 legislative days to submit opening statements for the record. Without objection, so ordered.

Also unanimous consent inserting a letter from Dr. Ralph Jones and a letter and a report from the Environmental Working Group. Without objection, so ordered.<sup>1</sup>

Mr. SHIMKUS. And remind folks that members of the committee have 10 days to submit written questions for the witnesses to be included. You may get some as follow-up. We would ask that you answer those and return those, if you can.

And that is, without objection, so ordered.

And with that, the hearing is adjourned.

[Whereupon, at 12:08 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

<sup>1</sup>The information has been retained in committee files and also is available at <http://docs.house.gov/meetings/IF/IF18/20150227/103031/HHRG-114-IF18-20150227-SD005.pdf>.

FRED UPTON, MICHIGAN  
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY  
RANKING MEMBER

ONE HUNDRED FOURTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
March 27, 2015

Mr. J. Alfredo Gomez  
Director  
Natural Resources and Environment  
Government Accountability Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Gomez:

Thank you for appearing before the Subcommittee on Environment and the Economy on Friday, February 27, 2015, to testify at the hearing entitled "The Needs of Drinking Water Systems in Rural and Smaller Communities."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, April 10, 2015. Your responses should be mailed to Nick Abraham, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515 and e-mailed in Word format to [Nick.Abraham@mail.house.gov](mailto:Nick.Abraham@mail.house.gov).

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus  
Chairman  
Subcommittee on Environment and the Economy

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment and the Economy

Attachment



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.  
Washington, DC 20548

April 10, 2015

Chairman John Shimkus  
Subcommittee on Environment and the Economy  
Committee on Energy and Commerce  
U.S. House of Representatives

Dear Chairman Shimkus:

We appreciate having had the opportunity to appear before the House Committee on Energy and Commerce, Subcommittee on Environment and the Economy on February 27, 2015, to testify on GAO's work on the drinking water needs of the nation's rural and smaller communities.

Enclosed are GAO's responses to the questions you submitted for the hearing record related to our testimony, *Rural Water Infrastructure: Federal Agencies Provide Funding but Could Increase Coordination to Help Communities* (GAO-15-450T). If you or your staff have any questions, please contact me at (202) 512-3841 or [gomezj@gao.gov](mailto:gomezj@gao.gov).

Sincerely yours,

A black rectangular box redacting the signature of J. Alfredo Gómez.

J. Alfredo Gómez

Director, Natural Resources and Environment Team

Enclosure

## Enclosure

Committee on Energy and Commerce  
 Subcommittee of Environment and the Economy  
 February 27, 2015 Hearing on  
 The Needs of Drinking Water Systems in Rural and Smaller Communities  
Responses to Questions for the Record GAO-15-450T

1. Mr. Gomez, has GAO examined the impact of funds made available through the American Recovery and Reinvestment Act towards drinking water infrastructure?

- a. During your most recent review of drinking water infrastructure, did Recovery Act funds have a positive impact?
- b. Does GAO know how many jobs were created by Drinking Water State Revolving Funds projects funded through the Recovery Act?
- c. Has GAO made any recommendations regarding drinking water infrastructure projects funded by Recovery Act monies to Congress and federal and state agencies?

1a. In June 2011, GAO published a report that reviewed the status and use of Recovery Act funds provided to the Environmental Protection Agency's (EPA) Clean and Drinking Water State Revolving Fund (SRF) programs nationwide and in nine selected states: Alabama, Connecticut, Maryland, Michigan, Missouri, New Mexico, Nevada, Washington, and Wyoming.<sup>1</sup> We reported that as of March 2011, states had used almost \$6 billion in Recovery Act Clean and Drinking Water SRF program funds to support more than 3,000 water quality infrastructure projects nationwide. In the nine states GAO reviewed, Recovery Act funds paid for 419 infrastructure projects that helped address major water quality problems, and the states used about a quarter of the funds they received to pay for projects in economically disadvantaged communities.

1b. Overall, the 50 states reported that the Recovery Act SRF programs funded an increasing number of full time equivalent positions (FTEs) for the quarter ending December 2009 through the quarter ending June 2010, from about 6,000 FTEs to 15,000 FTEs. As projects were completed and funds spent, these FTEs had declined to about 6,000 FTEs for the quarter ending March 2011. As of March 2011, states had drawn down from the Treasury approximately 79 percent, or \$3.1 billion, of the Clean Water SRF program funds and approximately 83 percent, or \$1.7 billion, of the Drinking Water SRF program funds.

1c. GAO has not updated the findings of the June 2011 report since its publication. In addition, GAO did not make any recommendations regarding drinking water infrastructure projects funded by the Recovery Act in the report.

---

<sup>1</sup>See GAO, *Recovery Act: Funds Supported Many Water Projects, and Federal and State Monitoring Shows Few Compliance Problems*, GAO-11-608 (Washington, D.C.: June 29, 2011).

**2. The GAO report to this committee discussed the water and wastewater needs along the U.S.-Mexico border.**

- a. What are the types of communities in this region?**
- b. What has been done to improve water and wastewater infrastructure in the rural communities along the U.S.-Mexico border?**
- c. Are there other parts of the country that have the same problems as those identified along the U.S. Mexico border?**

2a. The region along the U.S.-Mexico border includes a wide range of community types, from large cities—such as Los Angeles, California, population 3.8 million—to small, rural communities—such as Spofford, Texas, population 75. Of the 44 tribal nations in the region, 30 are in California, 8 in Arizona, 1 in New Mexico, 2 in Texas, and 3 in both California and Arizona. This region also includes colonias. Colonias emerged as developers sold small plots of residential land to individuals without providing water or wastewater infrastructure. Residents often placed a trailer or similar structure on the land or built their homes themselves, many starting with just one room and adding on periodically as they were able to afford it. Numerous news articles during the 1980s and 1990s described colonias, with one referring to colonias as “pockets of poverty” with conditions similar to those generally associated with “third-world” conditions.

2b. Since 2012, officials from EPA, the U.S. Department of Agriculture (USDA), the Department of Housing and Urban Development, the Department of Health and Human Services’ Indian Health Service, the Department of Commerce’s Economic Development Administration, the U.S. Army Corps of Engineers, and the Department of the Interior’s Bureau of Reclamation have increased coordination to provide funding for drinking water and wastewater infrastructure in the border region. EPA, USDA, and other participating agencies are also taking action to coordinate policies and procedures that should help identify water infrastructure projects in the border region and help streamline the information needs and selection of projects for funding, potentially reducing the time and effort spent by communities that apply for funding. In addition, in 2014, USDA provided \$500,000 in grant funds for a needs assessment of communities along the U.S.-Mexico border.

2c. GAO has not conducted work in other regions of the country to determine whether they face water and wastewater infrastructure challenges that are similar to those faced in the U.S.-Mexico border region. However, water infrastructure experts have identified Appalachia, the Deep South, the Mississippi Delta, South Dakota, and Alaska native villages as regions that face challenges consistent with the challenges faced by the U.S.-Mexico border region.



FRED UPTON, MICHIGAN  
CHAIRMAN

FRANK PALLONE, JR., NEW JERSEY  
RANKING MEMBER

ONE HUNDRED FOURTEENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115  
Majority (216) 275-2027  
Minority (205) 275-2041  
March 27, 2015

Mr. Robert Stewart  
Executive Director  
Rural Community Assistance Partnership  
1701 K Street, N.W., Suite 700  
Washington, D.C. 20006

Dear Mr. Stewart:

Thank you for appearing before the Subcommittee on Environment and the Economy on Friday, February 27, 2015, to testify at the hearing entitled "The Needs of Drinking Water Systems in Rural and Smaller Communities."

Pursuant to the Rules of the Committee on Energy and Commerce, the hearing record remains open for ten business days to permit Members to submit additional questions for the record, which are attached. The format of your responses to these questions should be as follows: (1) the name of the Member whose question you are addressing, (2) the complete text of the question you are addressing in bold, and (3) your answer to that question in plain text.

To facilitate the printing of the hearing record, please respond to these questions with a transmittal letter by the close of business on Friday, April 10, 2015. Your responses should be mailed to Nick Abraham, Legislative Clerk, Committee on Energy and Commerce, 2125 Rayburn House Office Building, Washington, D.C. 20515 and e-mailed in Word format to [Nick.Abraham@mail.house.gov](mailto:Nick.Abraham@mail.house.gov).

Thank you again for your time and effort preparing and delivering testimony before the Subcommittee.

Sincerely,



John Shimkus  
Chairman  
Subcommittee on Environment and the Economy

cc: The Honorable Paul Tonko, Ranking Member, Subcommittee on Environment and the Economy

Attachment



April 9, 2015

Mr. Nick Abraham  
Legislative Clerk  
Committee of Energy and Commerce  
2125 Rayburn House Office Building  
Washington, DC 20515

Dear Mr. Abraham:

Thank-you for the opportunity to respond to additional questions from the Subcommittee on Environment and the Economy regarding the hearing on February 27, 2015 entitled "The Needs of Drinking Water Systems in Rural and Smaller Communities". My answers to Chairman Shimkus' questions are contained in the attached document.

Thank-you again for the opportunity to participate in this hearing and to provide additional information in response to these questions. Please let me know if there is anything else that I may be able to help with.

Sincerely,



Robert Stewart  
Executive Director



Additional Questions for the Record from The Honorable John Shimkus

**1. You mention the need for “robust” training programs for operators, managers and community leaders.**

**a. What do you believe constitutes the elements of a “robust” program?**

Such training programs must be designed to meet the full need for financial, technical and managerial training for operators, managers and community leaders and therefore must use a variety of approaches. Operators need training sessions to obtain and retain their licenses (required by every state) and to advance their expertise in areas necessary in order to achieve higher levels of certifications. Training sessions must be delivered in a variety of manners in order to meet operators’ needs; three in particular come to mind. First, traditional class-room style trainings will continue to be necessary in that these sessions can take advantage of experienced instructors teaching multiple students on a given subject. This type of instruction allows for interactive learning between the instructor and student, facilitates responses to individual questions, can take advantage of differing presentation styles and can use equipment for “hands-on” or experiential training. For class-room style trainings, the disadvantages for small communities is the cost involved, the need to travel to the training location and the hardship of losing perhaps the only operator that community employs for one or more days while he/she attends the training. A second type of training is on-site (at the water utility) training for one system or ideally for multiple systems within a small geographic area that operate similar systems, for instance within a single county. This type of training brings the instruction to the utility’s site, allows for instruction on the equipment actually in use by the utility or utilities, eliminates travel time and the burden of being away from the systems, and allows for more concentrated one-on-one training. This type of training can be somewhat more costly per operator depending on the number of operators and utilities that are able to participate. My experience has shown that these can be a very effective means of training and developing long-term capacity with the least burden on the small utility. Finally, there are several types of training that can use electronic platforms. These benefit from allowing the attendee to access the training at their location and not have to travel or leave their place of work. Web-based trainings are cost effective in that they can delivery trainings to large numbers of utility staff simultaneously. These trainings can use a variety of sophisticated audio/visual means to describe the material and show pictures, graphs, diagrams and videos of various activities and processes. These trainings should be offered both on a synchronous (live) and asynchronous (recorded) basis to capture the most number of attendees. Synchronous training allows for more inter-action by being able to respond to attendees’ questions in real time, as the training progresses. Asynchronous training allows the attendee to attend the

training at any time that is convenient and not just at a set, scheduled time. The potential disadvantages of trainings based on electronic platforms include a decreased personal interaction between the instructor and attendees, the difficulty in providing hands-on experiences, and slow internet connections in rural areas. While small system managers do not have licensing requirements to meet, their training is just as critical especially in the areas of utility finance and management. Small utility managers and community leaders/governing boards are also faced with the expense and time demands of off-site trainings. Management, finance and governance trainings are best held at the utility or within a smaller geographic area and should be directed at the needs of the particular system(s). Technical assistance providers and trainers from RCAP often provide these types of training as part of monthly utility board meetings. At other times RCAP conducts “over-the-shoulder” trainings for managers, working with them providing advice, instruction and counsel as they conduct their usual duties. Our goal is not to do anything for the utility when we can train the utility to operate and manage their affairs using their own personnel and resources. Finally, RCAP feels it is important for small utility governing bodies to understand the critical role that operations and management training plays in the success and sustainability of the utility and ensure that some provision is made to support such training when drafting annual budgets.

**b. Is your vision of this “robust” program viable in the current climate?**

Yes it is viable. Without effective training programs small systems cannot operate properly leading to rule violations and potential compromises to public health. Not investing in training, by federal and state agencies as well as from the utility itself, leads to more costly issues in the future should violations occur. As mentioned, all utilities, even among the smallest, should budget yearly for training expenses just as they budget for other personnel costs, for electricity, for chemicals, for laboratory costs and for the many other essentials in the operation of a utility. If small utilities do not invest in trainings, there is a real chance of losing their operators to larger utilities that provide for training opportunities. What is the point of investing in new capital assets if the operator and manager do not know how to properly operate, manage and sustain these assets? Costs for trainings are long-term investments that will pay dividends for years. For small systems, programs supported by the federal government that provide lower cost training are critical.

States are allowed to use a portion of their SRF capitalization grants to pay for trainings and should therefore be encouraged to allocate an appropriate amount to help provide trainings to those small communities in the greatest need. EPA should consider another attempt at providing more training on a national basis as was the intention of the Expense Reimbursement Grant Program, although strict oversight would be needed. On-line or web-based trainings will only be of greater importance

going forward (assuming wider access in rural areas to broadband connections in the future) given its cost-effectiveness and ability to use multi-media presentations reaching potentially large numbers of attendees. Utilities should take advantage of existing programs to train our veterans in water/wastewater operations as a means to provide them with stable, long-term employment prospects in a field that sorely needs additional, qualified employees. EPA should be mindful of avoiding duplication of effort in the preparation or funding of training materials and programs. Training and educational materials should be obtained through competitive awards and not by means of potentially exclusionary procurement processes. For instance, EPA is funding a contract to prepare materials (a “guidance” manual) for the Revised Total Coliform Rule. EPA has already developed a variety of materials on this subject, each state has its own unique requirements and the states are producing and providing materials on this subject. In addition both AWWA and RCAP have been working on training materials on this subject through a competitive grant that was awarded nearly a year ago. EPA must be judicious in the use of its resources to fund only those trainings and materials not being offered by others and should be mindful of what materials should be produced by EPA staff. EPA forgoes the ability to create expertise within its staff if it continually uses private consultants, who do not routinely work with small communities, to develop training and educational materials. Moreover, without the grounding in what is needed and what is usable by small communities, national consultants can develop materials that are simply not understandable by small town operators and managers. The informational guides, manuals and training materials produced by RCAP come from seasoned technical assistance providers who have worked within utilities, who have experience in providing training and technical assistance to small utilities, who know how to prepare materials that are understandable to small utilities and who have the ability to follow-up with these communities to provide additional support that cements understanding and promotes future sustainability.

**c. Can small and rural utilities sustain the items this training provides?**

Yes this is sustainable. They can sustain the use and application of training knowledge as long as it was properly delivered and reinforced by follow-up, on-site visits from training and technical assistance providers (TAPs). Such visits allow operators and managers an opportunity to ask additional questions and to demonstrate the application of the knowledge learned in an operational environment. On-line trainings can be saved for future reference should the operator need a refresher on any of the material presented. Often, on-site training assistance is also required in order to sustain the knowledge and practices learned through other means. Once put into place at the utility, skills and knowledge acquired through trainings are sustained through repeated use highlighting again the need for practical, utility-specific trainings delivered as close to the location of

the utility as possible. Sustainability is a prime objective of all of RCAP's training activities.

**2. You mention that training should be delivered electronically in order to reach a larger audience for lower costs.**

**a. What types of those options exist right now?**

As mentioned earlier, web-based trainings are becoming more common in the water utility industry. They can range from short (one or two hours) single topic presentations to multi-day courses that can be used for operator certification requirements. With one of our partners, RCAP has made available extensive on-line training courses for private well owners. We also post a variety of educational videos on our web site as well as a large number of educational manuals for water operators, managers and decision-makers. RCAP is also working with groups such as the AWWA to present topical presentations such as on the Revised Total Coliform Rule. There are endless possibilities for on-line training. The challenge from a small system standpoint is affordability (should there be a fee for the training), speed of connection (many rural areas do not have access to broadband), relevance to utility needs and the amount of time available by utility personnel to access these web-based trainings. However, care should be taken in moving to an increasing reliance on web-based trainings. Just making information available, regardless of the convenience associated with accessing such information, is not sufficient to ensure compliance from small utilities. EPA has for years made compliance information available in print and now electronic formats. While some small systems take advantage of these offerings it is RCAP's experience that person-to-person contact is often necessary. Ongoing compliance and movement towards sustainability typically only occurs when small communities can access on-site technical assistance and local, over the shoulder or hands-on training. Small utilities can be overwhelmed by the amount of information that is provided for them from multiple sources. Therefore an emphasis should be placed on those training approaches, including those delivered electronically, that can be reinforced by on-site technical assistance providers who can translate the theoretical to the practical.

**b. Is RCAP partnering with information technology companies to expand the effective use of this medium?**

With the current availability of easy to use software that facilitates web-based trainings, RCAP has been able to develop, produce and present these trainings with little outside assistance. Work is accomplished with IT providers in order to fully develop our web site and make training information easily available. RCAP also uses a variety of social media platforms for outreach purposes and has partnered with universities to expand our on-line outreach capabilities.

**3. Your testimony talks about the capital challenge of rural communities if their local economies are not strong. Is there an economic trend that is occurring in the communities that RCAP aids?**

Rural economies can be as diverse as those found in urbanized areas but we typically encounter a great deal of economic hardship, poverty, substandard housing, struggling utilities and declining economies in rural areas. Often this is the result of reduced agricultural or mining activity or the departure of a major industry. In addition to our utility based assistance, RCAP works in many rural areas to strengthen and expand local business and commerce. Waiting for or trying to lure a major corporation into locating in your community is not a feasible alternative for most rural areas. Building capacity within existing local businesses while taking advantage of regional opportunities is one means for building rural economies. Regardless of the opportunities, economic growth can be stymied if local water and wastewater systems cannot support growth. Investment in infrastructure can create the foundation for long-term prosperity and ensure public health.

**4. Your testimony states that “[a]pproximately 96% of all health based violations occur at systems serving a population of less than 10,000 while less than a third of the SRF outlays are directed at these same small systems.” Do spending requirements or conditions placed on SRF funds prevent smaller and rural communities from maximizing the full benefit of these monies?**

It is important to note that while approximately one-third of the annual Drinking Water SRF funds go to communities with populations of under 10,000, only 20% of these funds go to communities of under 3,300, which is considered a “small” system by EPA and it is these small systems that have the vast majority of all drinking water violations. There are no spending requirements or conditions placed on SRF funds that prevent smaller and rural communities from maximizing the full benefit of these monies. The issue is not that the 1996 Amendments created any such requirements or conditions. Instead the issues that hinder small community access to the SRFs are: that small communities lack the capacity to submit applications to the SRF or even the information required to be placed on the Intended Use Plans (very few states fund outreach programs for this purpose); that many states prefer to make several larger loans to large systems rather than multiple loans to small systems; that while there is a provision for up to 30% of the capitalization grant to be used for loan subsidies to disadvantaged communities, not all of this set-aside is being used; and that without a loan subsidy very few small communities can afford the SRF loans. It is important to re-emphasize that larger communities can issue municipal bonds for water and wastewater infrastructure, an option that is not available to small communities. Therefore small communities rely almost exclusively on state and federal financing programs, such as the SRF and USDA’s Water and Environmental Program. Currently the SDWA requires states to make available 15% of their annual allotment for loan assistance to systems that serve 10,000 or fewer persons, to the extent that funds can be obligated for eligible projects. This

minimum amount has typically been exceeded but our recommendation is that far more of the funds should be dedicated to small communities.

**5. You state that “common environmental review requirements ... would be one area for improvement.” Please detail for us some examples?**

All federal programs that provide for infrastructure funding require the preparation of an environmental assessment. These include the EPA’s SRF program, USDA Rural Development’s Water and Environmental Programs, HUD’s Community Development Block Grants, and EDA’s Public Works and Economic Adjustment Assistance Program. While all of these programs have somewhat similar requirements, what is actually required for submission by the community/applicant is not common among the programs. Furthermore, there is little or no technical assistance provided to small rural communities in meeting these requirements. Small communities find it difficult to fund these types of requirements prior to receipt of the federal loan/grant (if it is received at all). Small communities and the engineers that they employ would greatly benefit from standard informational submission requirements that are necessary for the completion of an environmental assessment. Rural Development and EPA have worked with the water utility community to develop a common Preliminary Engineering Report and this collaboration should be extended among all federal funding agencies in regards to environmental assessments.

**6. Your testimony calls for an increase in the total amount of Safe Drinking Water Act technical assistance grants. Considering the Federal government has increasingly fewer resources for greater worthwhile needs, can you identify potential places to redirect funds within the Safe Drinking Water Act to offset the increase in these technical assistance grants?**

The Administration has requested \$1.186 Billion for the Drinking Water State Revolving Fund for FY 16. One of EPA’s two Priority Goals to improve water quality, as stated in the FY 2016 “Justification of Appropriation Estimates for the Committee on Appropriations” is to “improve public health protection for persons served by small drinking water systems, which account for more than 97% of public water systems in the U.S., by strengthening the technical, managerial, and financial capacity of those systems.” As provided through testimony at the recent hearing by the Subcommittee on the Environment and Economy by both RCAP and the National Rural Water Association, the most effective means of improving capacity of these systems that leads to improvements in compliance is through direct, on-site technical assistance and training. While EPA is authorized to requested appropriations under Section 1442(e) of the 1996 Amendments to the SDWA, the agency has never requested funding for this type of technical assistance. Rather Congress has had to take separate action to provide funding for this program. In FY 15 Congress authorized \$12.7 million for this national program. A very small piece of the SRF appropriation could be re-directed at



augmenting this vital program that allows experienced technical assistance providers and trainers to work directly with small communities to increase capacity and compliance.

As stated in my written testimony the newly created WIFIA program, authorized under the Water Resource Reform and Development Act of 2014, will not offer any reasonable expectation of increased capital assistance to small communities. To date no funding has been provided to provide the capitalization of WIFIA. However, EPA received \$2 million in FY 15 and is requesting \$5 million in FY 16 to fund staff and consultants to create this program. Even with the funding authorized in the Act (\$25 million for FY 16) only one or two loans can be made. RCAP would suggest that the amount to staff the WIFIA program prior to the receipt of any appropriations for capitalization is somewhat excessive as is the amount of money being requested for a program that will make only a relatively few loans during its five year "pilot" program. A portion of these funds could go to additional small community training and technical assistance.

In several sections of the aforementioned EPA "Justification of Appropriation" (pages 10, 28, 518 and others) it is stated that "the agency's budget includes \$50 million in technical assistance, training, and other efforts to enhance the capacity of communities and states to plan and finance drinking water and wastewater infrastructure improvements". As none of this responds to Section 1442 (e) of the SDWA, and its purpose is not further specified, RCAP would suggest that a portion if not this entire amount be re-directed into the technical assistance program under Section 1442(e).

Anyone of these is a possibility for increasing the amount of technical assistance funding. However, other areas could be further identified if the committee desires additional suggestions from within the funding provided to support the Safe Drinking Water Act

Prepared by:  
Robert Stewart  
Executive Director  
Rural Community Assistance Partnership